Daily Report

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FBIS-EEU-94-100 *24 May 1994*

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NOTICE TO READERS: All material in this volume previously disseminated in electronic form. An Ω indicates a Foreign Media Note.

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Nano Requests Release; Proceedings Described

AU2405091894 Tirana TVSH Television Network in Albanian 1800 GMT 23 May 94

[Text] [Announcer] Fatos Nano has requested that he be released from detention; Robert Gjini and Hasan Hallko have asked to be declared innocent; and Sokrat Plaka has not presented any request to the Appeals Court. To learn more about today's hearing on the appeal of these defendants, let us hear the report by our correspondent Armir Shkurti:

[Shkurti] The examination of the criminal case of the defendants Fatos Nano, Robert Gjini, and Hasan Hallko began in the Appeals Court this morning. Following the decision of the Tirana Court on 3 April this year, on the basis of the law, today the three defendants and their defense counsel presented the reasons for their complaints against the verdict of the Tirana Court. Fatos Nano and Robert Gjini were present in court, while defendant Hasan Hallko was in the hospital with a serious case of depression.

Perparim Sanxhaku, counsel for defendant Fatos Nano, declared in front of reporters that he had no complaints against the bench of this court, made up of Prele Martini, chairman of the Appeals Court, Koco Mano, and Mergim Dragushi. The prosecutor is Petrit Duka. Mano read the verdict of the Tirana Court.

In a 70-page statement, Counsel Sanxhaku brought forward arguments that the verdict of the court of first instance was unjust. The defense case appears to be based on reports referring to the actions and documentation prepared in Italy. According to Sanxhaku, an approximately 500-page report contained in the file is in Italian and has not been translated in Albanian. Some 200 of the approximately 470 pages of the Italian experts' report are missing, the counsel said. Sanxhaku insisted that the Italian aid amounted to 20 and not 23 billion lira, as stated in the verdict. Sanxhaku asked that the indictment be addressed to Pergniola, as he has directly profited from the money.

The counsel asked the court to rescind the arrest warrant against defendant Fatos Nano, include in the file the documents that are missing, and translate those that are in Italian. Sanxhaku also requested that the case be returned to the Tirana Court for completion of the investigation.

Defendant Nano began his statement with a political discussion in which he called himself a victim of the political struggle. He said the trial was a point of reference for international states and organizations considering Albania. Nano believes that financing from these organizations would depend on the position that the judicary maintained toward him.

The chairman of the court warned the defendant several times that if he continued the political discussion rather than present his evidence, his speech would be interrupted. This appeared to convince Nano and he continued by defending himself, essentially with the same arguments as his counsel, but again from the position of a politician.

Roland Permeti, counsel for defendant Robert Gjini, used almost the same arguments and logic as put forward in the defense in the court of first instance. The statement is not a document of payment and material responsibility. Albkontrol was the one that checked the items and Workshop No. 101/K of the State Reserves was directly responsible for receiving the items.

Defendant Robert Gjini added few things to the defense of his counsel. The counsel for defendant Hasan Hallko defended him in almost the same way. His client had authorized the counsel to speak on his behalf, as he himself was in hospital. Gjini and Hallko pleaded innocent.

Nano's counsel submitted 10 requests to the court. The court turned down the request to requestion 11 witnesses, reexamine the experts' report by experts Telegrafi and Shkreli, produce the minutes on the interrogation of Fatos Nano at the Investigation Office, and produce the price bulletin from the Chamber of Commerce in Milan, as well as the request to translate 500 pages from Italian and produce the reports of petitions, letters, and demands to release Fatos Nano. They acceded to the request to produce all the documentation that has not been produced so far and investigate all the documentation that the counsel thought was not assessed in the trial of first instance.

Counsel Sanxhaku presented several documents not produced so far, which the court will consider. Prosecutor Duka asked for time to consider the documents, while the counsels of the defendants said they would condition their final statements on the prosecutor's statement. The hearing was interrupted and will continue at 0900 tomorrow.

Zhelev on SDS 'Mistakes,' International Scene

AU2405100894 Sofia STANDART NEWS in Bulgarian 17 May 94 pp 11, 13

[Interview with President Zhelyu Zhelev by Adam Michnik; place and date not given; "published simultaneously" in Warsaw GAZETA WYBORCZA; "Union of Democratic Forces Failed To Convince the Public of the Need for Reforms"]

[Text] [Michnik] Mr. President, this is our fourth conversation since you assumed office. How would you assess the balance of these four years of change in Bulgaria?

[Zhelev] However discontented we may be, however disappointed with our original expectations, nevertheless major changes have occurred in Bulgaria that give grounds for believing that there can be no going back. Among the comparatively new developments, I should mention that the war in former Yugoslavia is exerting an increasingly strong effect on our country. Bulgaria is being seriously affected by this war. We are playing no part in it, except for observing the embargo and the sanctions imposed by the UN Security Council. Militarily speaking, we are playing no part whatsoever, because we know that any form of intervention, even of the most noble kind, even if we were to send "blue helmets," would be regarded as some kind of revanchism, as political self-seeking, or as part of far-reaching plans.

However, we are really affected by the war, most heavily by our losses from the embargo. Our door to the West is simply closed to us. According to our calculations, so far we have lost over $3 billion in unrealized contracts, share values, and so on. The second thing that is affecting us is the appearance of a petroleum mafia in Bulgaria. Smuggling gasoline and naphtha across our western border brings the criminals huge profits, because over there every liter is worth 10 times more.

We are also affected by the absence of foreign investment. The investors are scared because a war is in progress on the other side of the border. They simply try to circumvent the Balkans. Thus, we are becoming a high-risk country through no fault of our own.

[Michnik] The SDS [Union of Democratic Forces] brought you to power. What is happening at the moment inside the SDS coalition?

[Zhelev] In my view the SDS has made a number of very serious mistakes. After winning the 1991 elections, it had a parliamentary majority and ruled the country together with the DPS [Movement for Rights and Freedoms]. However, later they retreated and lost position after position. After the resignation of Filip Dimitrov's government and after the resignation of the vice president [Blaga Dimitrova], the SDS was without power, although the electors had voted for it.

[Michnik] Why did the SDS "give up" power?

[Zhelev] Personal and group interests played a part, but to this one should add the lack of breadth in their political thinking.

[Michnik] One can observe the process of disintegration of the anti-communist coalitions in all the countries of the former socialist camp. Do you think, Mr. President, that this cannot be attributed only to personal conflicts?

[Zhelev] Among other things, more profound reasons lie behind the different interests of the various participants in the process of the reforms. To sum up in the most general terms, in the beginning we had ideals. Our banner consisted of democracy, the market economy, and a rule-of-law state. The people accepted all of this and voted for it. We we came to start the economic reforms, economic interests then came to the forefront, and they in turn are interwoven with the personal ambitions of activists and functionaries in various institutions. Subsequently, alliances were formed that no one could have foreseen. In parliament, for example, there are deputies in opposing groups that are linked to certain business groups, and they sometimes vote together, for example on taxation issues. This is the reason why we still have no laws on fiscal police or an audit office. The common platform with which the parties, movements, trade unions, and associations forming the SDS fought the elections was a compromise. Compromises always have to be brought up to date. I think that the SDS leaders forgot this principle at a certain moment. Even worse, the SDS failed to convince the public of the need for the reforms. It failed to convince the public that the SDS is a national force that identifies itself with national interests. The coalition left this very important area in the hands of the BSP [Bulgarian Socialist Party], which talks all the time about Bulgaria, the national cause, and so on.

[Michnik] Do the SDS leaders realize this today?

[Zhelev] Some of them claim that in the next elections the SDS will win over 50 percent of the votes. This is absolute utopia.

[Michnik] People tell me that the Communists brought people like Zhelyu Zhelev to power. They claim that you do not understand reality, that you are a utopian humanist or even a cryptocommunist. In Poland people are saying the same things about the people who opposed the decommunizing laws.

[Zhelev] The Communists in Bulgaria are restoring their strength, but the opponents of decommunization are not to blame for this. They are exploiting the fact that they are the main force that supports the present government, which is formally a nonparty one. In exchange for their support, they demand various concessions that stall the reforms. For example, they want to recall diplomats who obtained their posts in the Foreign Ministry after 1989. They are trying to reinstall in the Foreign Ministry the so-called professional staff, but you know what kind of professionals these are!

The BSP is regaining its lost positions. The SDS is most to blame for this, because it disowned its allies and relinquished its changes of its own accord. When the other side retreats, you are stupid if you fail to exploit the situation.

[Michnik] Do the Communists want the return of communism?

[Zhelev] Some of them do, such as the authors of the concepts for forming farming cooperatives before the land is returned to its owners. However, there are others who are evolving in a social democratic direction; they believe that the ideas of the first group are stupid. They know there is no alternative to the transition to the market economy, but want their party to govern this process independently. For them, the main question is where the capitalists are to come from, from the BSP or the SDS? Who will receive the property? Who will get the money? They do not think of ideals, only of property and money. From the viewpoint of the national interest, it would be better if the SDS carried out the reforms. The SDS will complete them more quickly and in a more radical manner. Because of its nomenklatura, the BSP will try to preserve the remnants of the old regime as long as possible, but in the final event they will collapse.

[Michnik] I have heard a hypothesis that the chaos in Bulgaria is being made worse by those who support the idea that dictatorship is the only solution to the chaos.

[Zhelev] Groups do indeed exist in Bulgaria that are interested in chaos. Chaos benefits certain circles in the BSP that want to prove that the present version of the reforms is against the country's interest. Business groups that have links with the mafia feel very comfortable in the present chaos, because they gain from this situation. They can carry out illicit privatization and they can ship fuel illegally to former Yugoslavia. A further group that is striving to destabilize the state consists of people from the former State Security, who have found their true place and calling in the mafia and in business.

[Michnik] How did it come about that the people who previously fought for democracy are now thirsting for power and are open to corruption? This is happening everywhere, not only in Bulgaria.

[Zhelev] In Bulgaria only a handful of people openly ventured to oppose the violation of human rights by the communist authorities. Even in June 1989, I managed to collect only 56-60 signatures for a statement in defense of the Bulgarian Turks. Two months later, about 100 people signed a second declaration that criticized the atmosphere of chauvinism in even stronger terms.

Most people joined the SDS in early 1990, at the time of the roundtable talks, when they realized with amazement that communism would never return. It was then that the great anticommunists appeared. Like you, even I had become a "communist" or, at the very least, a "defender of communism."

[Michnik] Why does no political center exist in Bulgaria?

[Zhelev] It is true that the bipolar BSP-SDS model is managing to survive. The reforms have been greatly delayed in Bulgaria. The communism-anticommunism confrontation continues to operate. The situation would be different if the land had been returned, if privatization had advanced further. As long as the main economic reforms are hardly beginning, the geometry of the political space is distorted. This is not Euclidean geometry, where right is right and left is left, and the center is in the middle. This only exists in the stable democracies.

[Michnik] In your view, Mr. President, what is a stable scenario for Bulgaria?

[Zhelev] The unification of the democratic forces in the name of the reforms, the return of the land to its owners, the advance of privatization—these can guarantee the irreversibility of the transition. For this one needs a strong government with enough energy and willpower to act.

[Michnik] Do you not think that one has to cross the horizon of the future and build a reformist camp, not worrying whether its members were once communists or anticommunists?

[Zhelev] When we founded the SDS, I said that it should strive to form a coalition that unites people with democratic views. In my view, this is the only possible and reasonable formula for action—continuously to expand the circle of those who support the reform. The tragedy of the SDS is that at the last elections it won 34 percent of the vote, but instead of expanding the circle of its supporters, relied on the so-called hardline electorate and even started—as a result of internal conflicts—to "shed" members.

[Michnik] Since we are speaking about intolerance....

[Zhelev] All its forms are dangerous: national chauvinism, ideological fanaticism, religious fanaticism....

[Michnik] Today a great wave of Islamic fundamentalism is washing through the world. Could it appear in your country as well? How are Bulgarian-Turkish relations?

[Zhelev] May God preserve us from both Islamic and Christian fundamentalism! Bulgaria is now threatened with a different form of fundamentalism—political. As far as Turkey is concerned, I regard it not as a bridge, but rather as a barrier that separates us from the religious fundamentalism of the Arab countries, and especially Iran.

[Michnik] What about relations with the Bulgarian Turks?

[Zhelev] First, I should remind you that after 1989 the Bulgarian Turks received back the rights of which they were deprived by the communist authorities, which in 1984-85 almost brought our country face to face with a

"Bosnian" alternative, long before the collapse of [East] Germany. I consider that no fundamentalism exists in this part of our population at present. The danger comes when people or groups try to exploit religion for political purposes. Such attempts are made from time to time, but they have no lasting effects.

[Michnik] What is the political scenario as regards the Bulgarian Turks? What do they want?

[Zhelev] They have great material problems. They are mainly farmers, but have never owned their land. Now, when the land is being reprivatized, it is mainly returning into the hands of the Bulgarians, which is arousing tensions. However, the law provides for all those who cultivate the land to receive ownership titles, but they come second in line.

[Michnik] Some Bulgarians claim Zhelev is blind, because he cannot see the danger. For example, he cannot see that there are regions in Bulgaria where no one speaks Bulgarian.

[Zhelev] These are nationalist provocations. Everywhere, our nationalists are like a horse with blinkers. Because of their limited views, because of their fanaticism, they are very dangerous. They manage to raise slogans like "Bulgaria above everything!" However, when I ask them what they have done for Bulgaria, for its prestige in Europe, and for democracy, they have nothing to say.

[Michnik] Is it true that in Bulgaria, like Germany, there exists a kind of solidarity with Milosevic and Serbia, based on Orthodoxy?

[Zhelev] Such a tendency does exist within part of the BSP; pan-Slavist groups also exist, but they do not have much influence. They were the ones who tried to exploit Zhirinovskiy's visit to Bulgaria.

[Michnik] Where did Milosevic and Tudjman come from?

[Zhelev] Both of them came from the League of Communists of Yugoslavia, but I do not think it matters where they came from, as it is more important to know what they are committing themselves to now. For example, Macedonian [The Former Yugoslav Republic of Macedonia—FYROM] President Kiro Gligorov, who at one time was president of the Yugoslav Assembly, is now following a very sensible policy. Milan Kucan is doing the same in Slovenia.

[Michnik] What lies behind Milosevic's actions?

[Zhelev] One cannot talk about him without remembering the situation of Serbia and the Serbs following the collapse of the SFRY, nor can we ignore certain special features of the Serbian people. The neocommunists are playing the chief role in fanning nationalist attitudes....

[Michnik] The neocommunists form a big faction in Milosevic's party.

[Zhelev] We are talking about the postcommunist period. Some think that this merely means the period following communism. It is like a mutated gene, and these mutations can be very dangerous.

[Michnik] Let us talk about Macedonia.

[Zhelev] Bulgaria was the first country in the world to recognize the statehood of this former Yugoslav republic.

[Michnik] This was a strange act. It is the first time I have heard of recognizing a country without recognizing the existence of its people. Both Greece and Serbia find the statehood of Macedonia and its name a major obstacle. Bulgaria has always considered that the Macedonians are its close relatives, and does so now.

[Zhelev] There is nothing strange in this. A state is always recognized. Under international law the recognition of a state means that a nation exists in that state that itself determines its own sovereignty and identity. It also implies that the country that recognizes this state has no territorial claims against it. However, international law says nothing about a special declaration that recognizes the existence—or not—of any nation. The nation either exists or it does not. Does the existence of the Poles as a nation have to be recognized?

[Michnik] I think Bulgaria is the only country in the Balkans in which the virus of hatred has failed to spread. What will the situation be in the future?

[Zhelev] The Bulgarian people are very tolerant....

[Michnik] Have you ever heard a nation that describes itself as intolerant?

[Zhelev] This is proven by the facts; for example, by the fate of the Bulgarian Jews during World War II.

[Michnik] Anti-Semitism has never existed in Serbia either. It existed in Croatia, but not in Serbia.... However, today, how can the war end if the Serbs do not want to end it until a united Serbian state appears?

[Zhelev] I consider that a confederal model is the best one. The idea of a confederation is acceptable in Bosnia—at least in the beginning. The Serbs will have great economic problems after this war. The legacy of the sanctions is even now arousing public discontent in Serbia. I believe in the victory of the forces of democracy, but the introduction of an overt military dictatorship is also possible.

It is essential to improve the relations between the Balkan peoples. This is very important. I mean we should develop an extended network of information links and transportation and other communications. In the Balkans the situation has always been poor in this respect. The peoples are distanced from one another not only by the mountains.

SDS Chairman Views National Conference

AU2305125994 Sofia OTECHESTVEN VESTNIK in Bulgarian 17 May 94 pp 1, 3

[Interview with Filip Dimitrov, chairman of the National Coordinating Council of the Union of Democratic Forces, by Reni Neshkova; place and date not given: "In This Historical Cycle, We Lead Hungary by a Head"]

[Excerpts] [Neshkova] Mr. Dimitrov, you have always said you are a supporter of reasonable compromise in politics. Surely the decision of the SDS [Union of Democratic Forces] Sixth National Conference to exclude the children of active fighters against fascism and persons who have applied to join the BCP [Bulgarian Communist Party] from holding leading posts in the SDS, along with other restrictions, goes beyond the bounds of what is reasonable?

[Dimitrov] I have been able to state my view on this issue on several occasions, and I would like to make this clear. The conference was forced to make this decision because of circumstances that everyone knows about. In Bulgaria a crazy, untrue assertion is spreading and being repeated again and again, that half of those responsible for the communist rule are in the BSP [Bulgarian Socialist Party], while the other half are in the SDS. It is understandable that no political force with any self-respect would, except on very rare occasions, place at its head, in its most representative organs, people who are wide open to attack. They may be the most conscientious people, they may be the most competent ones, but if they are open to attack, they will put both themselves and the political force in a bad position. I assume that this was the motive for the decision—an honorable one, if one supports this thesis.

[Neshkova] Nonetheless, surely one of the motives was to settle personal accounts within the coalition?

[Dimitrov] Personally, I am against exclusive regulations and said so at the conference, but the conference was evidently inclined to adopt this decision on protective grounds. However, I want to make it clear that this decision has not changed anything substantial in the SDS. Of course, if the SDS wants to win, it will be very difficult for it constantly to have to explain why such-and-such or so-and-so is an exception to the rule, and so forth. [passage omitted]

[Neshkova] You have declared that you oppose any mechanical means of evaluating future SDS election candidates and that if one of the proposed schemes is applied, Prof. Berov may receive a very high classification.

[Dimitrov] This is not a completely reliable and sensible method of assessing candidates. I believe that some way can be found, and we already have enough competent people on whom we can rely. At the same time, I believe that it is sensible to discuss these candidates to obtain a sufficient guarantee.

[Neshkova] What exactly does the decision to boycott parliament mean, now that the government is likely to be changed?

[Dimitrov] Please allow the political force the right of surprise. The conference demonstrated a high degree of unity regarding the radical issues concerning the national situation, the ways of finding a solution to this situation, and its responsibility for finding ways to provoke early elections.

[Neshkova] People are saying that the SDS "right wing," with which you are identified, won the upper hand.

[Dimitrov] Responsibility means knowing what difficulties lie ahead and how they can be overcome. This is a very difficult position. [passage omitted]

[Neshkova] Is it not true that the BSP has been greatly encouraged to act more independently, following the victory of the former Communists in Hungary, for example?

[Dimitrov] I am sure that there are no grounds for this, because this is a historical process that at various times brought the former Communists to power in the former communist states. What is happening now in Hungary happened in Bulgaria in 1992, so that we are in front by a head in this historical cycle, and I am sure that very soon we will push things in quite another direction in Bulgaria.

ΩElection Reported Fair Despite Irregularities

94P20798A

[Editorial Report]

Process Generally Orderly, Democratic

Reports appearing in the Hungarian media indicate that in general the parliamentary election campaign and the first round of balloting on 8 May were orderly and democratic, although the campaign was marred by some irregularities. Gyula Horn, chairman of the Hungarian Socialist Party (MSZP)—which led the field in the first round of voting—declared that on the whole the "tone" of the electoral campaign was "acceptable" (MAGYAR NEMZET, 6 May), while National Electoral Committee Chairman Janos Nemeth said that "the campaign was less rough than expected" (NEPSZABADSAG, 9 May). Duncan Schiels, a spokesman for the foreign journalists accredited to Budapest, said that the campaign was so "calm" that it was "boring" (NEPSZABADSAG, 6 May), while a delegation of ethnic Hungarians from Romania who toured the country to monitor the elections stated that the election process was "incredibly civilized" compared to Romanian elections (HETI MAGYARORSZAG, 13 May). A "moderate tone" characterized the debate of prime ministerial candidates and party leaders, according to MAGYAR NEMZET on 6 May, and the voting itself was apparently considered fair in most quarters; no reports of violations had been observed in the media as of 11 May.

Biased Television Coverage Alleged

Although the election process was deemed satisfactory in general, some sources indicated that it was marred by a serious flaw—Hungarian Television's biased coverage, which purportedly discriminated against opponents of the main government party, the Hungarian Democratic Forum (MDF). NEPSZABADSAG reported on 4 May that "the majority" of the parties were "dissatisfied with the behavior of Hungarian Television." According to the paper's 5 May issue, an MSZP spokesman declared that his party could show "proof" that the state television system was conducting a "negative campaign against the Socialists" and was "not neutral in its program policies." Similarly, Gabor Kuncze, prime ministerial candidate of the liberal Alliance of Free Democrats (SZDSZ), charged that although he expected the voting and the counting of ballots to be "legal," the lack of fair television campaign coverage compromised the election. "The fact that evening after evening the television drums the same opinions into the viewer without publicizing the other parties' programs is not only unethical, but also dangerous," because it prevents voters from making an informed choice, Kuncze said (NEPSZABADSAG, 4 May). The Independent Smallholders Party also filed a complaint saying that the main television news program gave no information about the party's program (MAGYAR HIRLAP, 22 April).

Charges Against MDF

Hungary's high court ruled invalid the charges that the MDF had abused access to government information for campaign purposes. After the SZDSZ accused the MDF of using government data to identify first-time voters and people who had benefited from the government's compensation program to send them campaign letters, the National Electoral Committee decided that the MDF had acted "against the law," but the decision was struck down by the Supreme Court. The Court said that the Electoral Committee had "no authority to condemn anyone" and that its accusation was also "faulty in its content" because the electoral law gives parties access to lists of citizens in specified groups "under certain circumstances." Saying that it had been vindicated, the MDF charged that the National Electoral Committee had lost its neutrality because the representatives of some parties on the multiparty committee, "especially the SZDSZ," were using the National Electoral Committee meetings to conduct a "political campaign" (MAGYAR HIRLAP, 22 April).

Defaced Posters

The campaign irregularity reported most frequently by the media was the defacement of campaign posters, but reports disagreed on the extent of the damage. NEPSZABADSAG on 5 May charged that campaign posters "nationwide" were pasted over with rival posters and that MSZP, SZDSZ, and Federation of Young Democrats (Fidesz) posters were defaced with "slanderous slogans," including anti-Semitic graffiti. Other sources confirmed that defacement had occurred but suggested that it was confined to certain areas. Members of the ethnic Hungarian delegation touring Hungary before the election said that the posters they saw throughout the country were defaced only "in a very few places" (HETI MAGYAR0RSZAG, 13 May), while a "citizens network" that monitored the election indicated that anti-Semitic slogans and other graffiti were a problem in Budapest, including in the capital's 20th District (MAGYAR HIRLAP, 4 May).

Other Alleged Irregularities

According to the "citizens network," the defacement of posters was just one of "countless refined and crude" attempts to "consciously mislead" voters. Some parties and candidates, said the group, were guilty of "cheating" in the process of gathering nomination slips and of making verbal attacks that violated electoral ethics. In some cases, the group alleged, nomination slips were stolen from mailboxes and sold "in large numbers" for 300 forints, while in the city of Vac, representatives of the far right Hungarian Justice and Life Party—which ended up with less than 2 percent of the vote nationwide in the first round of balloting—toured gypsy neighborhoods by car and illegally collected "masses of nomination slips" for their candidate. In addition, said the group, although the election ethical codex stipulated that the parties were not allowed to "denigrate" each other,

there were "plenty of examples" of insulting behavior. One such example, the group said, was a campaign letter sent out by the MDF candidate in Budapest's third district which charged his MSZP opponent with "demagogy," with making "unfounded and unfulfillable promises," and with trying to "create false nostalgia, which can lead to the strengthening of the left" (MAGYAR HIRLAP, 4 May).

Little Violence

The media reported few violent incidents during the campaign. The SZDSZ charged that in the city of Gyongyos on two occasions its campaigners were beaten up by members of the MDF's youth organization (NEPSZABADSAG, 6 May). In another incident, Fidesz activists were attacked by unknown assailants in Budapest, but the victims were not certain that the attack was politically motivated (BESZELO, 28 April).

Effect of Polls on Opinion, Voting Noted

94CH0254A Budapest PESTI HIRLAP in Hungarian 26 Apr 94 p 3

[Interview with Domokos Gyorgy Varga, director of the National Information Office, by H.H.; place and date not given: "Polls Apt To Influence Public Opinion"]

[Text] The validity of polling data was disputed many times by many people who asked whether polls really reflect the will of the voters and if so, whether voters who are still undecided are influenced by their publication. In connection with this matter we visited Domokos Gyorgy Varga, director of the National Information Office, who had expressed the opinion earlier that various polls are suited to influence public opinion.

[H.H.] In one of your earlier articles you expressed the opinion that the Szonda Ipsos polling agency was being used not only to poll but also to influence public opinion. As a response, the firm brought a suit against you. Did your opinion change at all now that one or another poll's results are being published almost every day in certain nationwide newspapers?

[Varga] I consider the present situation unquestionably worse. Not only Szonda Ipsos, but other agencies, as well, are being used diligently. Through various diversions, by skillfully presenting polling data, one of the opposition parties represented itself as if the entire country had put its trust in it. It would have been possible to protest, because, for instance, the polling firm in question protested immediately when the Federation of Young Democrats [Fidesz] highlighted and interpreted data according to its own taste.

[H.H.] Yesterday morning Adam Levendel, director of the Szonda Ipsos firm, was a guest on "Chronicle" on Hungarian Radio.

[Varga] I had the opportunity to hear it, and to realize sadly that the situation in Hungarian public media is beginning to seem more and more absurd. Governments in democracies usually do not allow the publication of polling data one week before elections because the data unequivocally influences public opinion. Recently, the BBC even included in its code of ethics not to broadcast such data on major news programs even outside campaign times. On the other hand, the director of the firm in question took the liberty of not only enumerating data, but also of picking and choosing data, interpreting it, and even of adding his inapplicable comments. It is almost comical that we hear about how unreliable the radio is from the programs of the radio itself. In the words of the firm's director: From a fool according to his folly.

But the way he treated the data is also clear propaganda. He talked about the advance of the Alliance of Free Democrats [SZDSZ], and also mentioned the Workers' Party and the Agrarian Alliance as having chances of getting in to the parliament. Well, the strange thing about this advance is that according to details published in the "most popular daily newspaper," among voters who are certain to vote and would vote for a certain party, the SZDSZ is in the same place today as it was in the beginning of March, because in the meantime it had a 3 percent setback. However, interestingly enough, the pollsters, and of course the press as well, were silent about this setback. I did not see huge headlines such as "X Party's Popularity Declining!" anywhere. And as far as the Agrarian Alliance is concerned, according to the figures it has no more support than the other small parties. If that is so, on what scientific grounds was it spotlighted? So much for objective information, or rather, for manipulation.

Finance Minister Interviewed on Policy

WS2405071594 Warsaw RZECZPOSPOLITA in Polish 23 May 94 p 8

[Interview with Grzegorz Kolodko, deputy prime minister and finance minister, by Katarzyna Jedrzejewska and Piotr Aleksandrowicz: "A Strategy for Poland;" date and place not given]

[Excerpts] [RZECZPOSPOLITA] How high will inflation be for the next four years?

[Kolodko] I am determined to shape the macroeconomic proportions in such a way as to reach the level of single-digit inflation in 1997. Thus, if in 1997 the yearly inflation indicator were 9.6 percent, at the end of the same year inflation would be even lower.

[RZECZPOSPOLITA] Is the starting point of your forecasts the same as in this year's budget?

[Kolodko] It is practically the same. This year's budget envisioned a 23.1-percent price increase from December 1993 to December 1994; at the moment we are estimating this year's inflation to be 23.6 percent. As far as the path of lowering inflation is concerned: in 1995 the indicator would amount to approximately 16 percent, in 1996—in the vicinity of 12 percent, and in 1997—less than 10 percent.

[RZECZPOSPOLITA] Will official prices rise at the same rate as inflation? Will official prices still exist?

[Kolodko] We would like to decrease the scope of official prices. As far as the rate of their increase is concerned, a certain concession has already been made for those who want it limited. This year we will be implementing the budget law rather strictly. In the years to come, the energy prices will be going up slightly more quickly than the overall inflation rate; however, the process will be slower than was agreed with the World Bank.

At this point I must make a more general remark. Reducing inflation is not the final goal of the economic policy. In our strategy lowering the inflation is an instrument necessary to persuade people to save money. Thus, it is an instrument that helps achieve investment growth as well as an increase in productivity. Only in such a sequence—as an effect—can we bring up the issue of real wage increases.

Another reason that lowering inflation is necessary is that the budget must be made less tight as far as its expenditures are concerned: the increase in expenditures must be controlled and then the costs of paying off the public debt must be reduced. Finally, the lowering of inflation means a slower devaluation rate, as a result of which the budget expenditures for paying off the foreign debt will be increasingly lower.

[RZECZPOSPOLITA] Right now the share of the public finances in the Gross Domestic Product [GDP] is approximately 50 percent. This indicator shows the degree of the redistribution. Is it satisfactory, or should it be greater or rather smaller?

[Kolodko] It should be smaller and we are defining how it should be lowered in the medium-term financial strategy. There are fewer difficulties as far as receipts are concerned; there are more difficulties concerning the expenditures. They are too great, both if we look at the level of our development and from the point of view of the market allocation of money, the so-called transfers for the people. This is related to the sphere of social benefits, which, even though small for individuals, overwhelms the public finances with its burden.

At any rate, I believe that the budget is fulfilling the function of redistribution to a degree that is too great; therefore, in the "Strategy for Poland," we would like to limit the redistribution by lowering the expenditures for the transfers for the people, and by protecting the real level of average wages and social benefits. This is possible.

[RZECZPOSPOLITA] With what, then, would you now start the reforms?

[Kolodko] I would start them first of all by blocking the process of the employees of various industry branches' gaining further privileges, such as an earlier pension age, which we have been witnessing for years, including very recently.

The problem is not that our benefits are too high; the real problem is the fact that there are too many beneficiaries in Poland. I am aware of the fact that the people will become the beneficiaries of the reform of the system of social reforms and insurances only after a longer period of time. However, if we want to think about the public finances and plan certain things a long time ahead, we must implement changes now. Our government is prepared to take up this difficult challenge.

For me this planning means that in 2005, Poland must be in a position to meet the Maastricht criterion which says that the public debt should amount to approximately 60 percent of the GDP at the most. There are no politicians among us who would think along these lines. However, one must think this way. Today I have made decisions, concerning the reduction of our foreign debt, up to the year 2004. In the meantime, however, I often have to make decisions "for yesterday."

[RZECZPOSPOLITA] Let us return to this year's budget. Is the deficit going to be such as was included in this law, that is, lower?

[Kolodko] I hope that it will be a little lower. We would like to lower the size of the deficit from more than 6 percent of the GDP in 1992 to less than 4 percent this year, and not more than 2 percent in 1997.

[RZECZPOSPOLITA] How?

[Kolodko] Greater pressure is being placed on increasing revenues; however, this should not be achieved through

further hardening of the state's fiscal policy, which is being—probably unfairly—criticized. It should rather be attained through the completion of the construction of the taxation system. Some issues are going to take as many as several years, such as the cadastre and the new tax on immovable property. We are considering gradual, quiet changes in the area of taxes on capital-derived revenues; however, I do not think that this is an issue of paramount importance. We are seriously treating the slogan of absorbing the gray market and collecting overdue taxes. [passage omitted]

[RZECZPOSPOLITA] Do you intend to exclude the National Bank of Poland [NBP] from the financing of the budget deficit?

[Kolodko] NBP is my ally and my cooperation with Ms. Hanna Gronkiewicz-Waltz is developing very well. The central bank should try to minimize its share in the financing of the deficit in the end; it should concentrate on the function of issuing and be a modern central bank.

[RZECZPOSPOLITA] Do you think that the money supply should be the same as the nominal GDP growth, slightly faster, or slower? In other words, should the financial policy be stricter or more expansive?

[Kolodko] I believe that the amount of money will be increasing slightly faster than the nominal GDP.

First of all, I would like the central bank to see to it that the really positive interest rates are maintained. I expect it to aim at lowering the cost of money and the discrepancy between the interest rates of bank deposits and the interest rates of credits. We have already made a serious step in this direction: we have agreed that the reserves for bad credits be included by banks in the costs of their activities, which decreases their tax burdens. As a consequence, the cost of money decreases. The activities of the central bank should not be guided by the temporary needs of the government or of the finance minister: it should be guided by the desire to perform the task of stabilizing the money in the long run.

[RZECZPOSPOLITA] You said that the money supply should increase faster than the GDP. What if the bank has a different opinion on that?

[Kolodko] We should say this differently. The central bank should shape the money supply in such a way as to proceed down the roughly-defined path of limiting the inflation.

[RZECZPOSPOLITA] If it accepts it.

[Kolodko] I think that it accepts it... Second, the level of the supply must be influenced by the problem of net international reserves. This issue has not been settled. I believe that the reserves should be maintained on more or less the present level. An alternative to this is an increase.

[RZECZPOSPOLITA] In this way we have reached the issue of the currency exchange rate. You said that you would readily lower the rate of the creeping devaluation. In what way? Very slowly, or faster, but perhaps with a leap devaluation, just as it occurred last year?

[Kolodko] The scale of devaluation is a function of the processes related to inflation, especially a function of the increase in the prices of industrial products. On the other hand, the scale of devaluation influences inflation through the prices of imported goods, and especially through the expectations concerning inflation. We want to carry out our policy of a "creeping" devaluation in such a way as to prevent a real appreciation of the zloty. The basket of currencies should go up at more or less the same rate as the index of production prices. I will not tell you how to do this because the finance minister must not discuss certain matters. One can imagine a process of decreasing the scale slowly, the so-called crawling peg [preceding two words in English], or a process of decreasing it more rapidly, along with a small corrective devaluation, by three points for instance. I am saying this rather generally because it should not be expected for the time being.

In the end—I do not know whether this will be in 1997, a year earlier, or a year later—we would like to switch to a floating rate which will be determined among banks.

[RZECZPOSPOLITA] What will become of the 6-percent import tax which should be lifted this year?

[Kolodko] We will try to decrease it—after arrangements with our foreign and international partners—by 1 percentage point a year. Thus, it will disappear after some time.

[RZECZPOSPOLITA] What about the compensatory fees? Does the lack of an executive order, necessary for their implementation, result from the fact that you are against the fees?

[Kolodko] I believe that the scope of the compensatory fees should be limited. They should be applied in situations when there are clear characteristics of a dumping policy. They should also go for products which are of fundamental importance for the level of employment and for the level of revenues in the Polish agriculture. Indeed, the final decisions have not yet been made. However, the list of the products will be shorter than might have been suggested in some press reports.

[RZECZPOSPOLITA] What is the greatest inflation increase, caused by the compensatory fees, that you consider acceptable?

[Kolodko] I would not like to add more than half of 1 percentage point. Incidentally, the results of the introduction of the compensatory fees have not been included in the above-mentioned inflation estimate—23.6 percent.

[RZECZPOSPOLITA] Let us now discuss privatization. Is the government going to present a uniform stand on the issue of privatization within the next few months?

[Kolodko] You cannot see such a stand, then?

[RZECZPOSPOLITA] No, we cannot.

[Kolodko] If you cannot see it, then it will become clearer because there are people who have clear views on this. I would prefer concrete questions.

[RZECZPOSPOLITA] What about the privatization of banks? Is the Industrial-Commercial Bank going to be privatized? Is a fourth bank going to be selected for privatization this year?

[Kolodko] The first question, which we will answer as early as June, is the following: Should this sector first be consolidated, or privatized? Perhaps, then, the Industrial-Commercial Bank will be privatized in a different configuration, as a result of a consolidation process. Increasingly more experts are saying that banks should first be consolidated.

[RZECZPOSPOLITA] What about the privatization and the future of the State Insurance Bureau [PZU]?

[Kolodko] We want to restructure the insurance sector in such a way as to first of all weaken the monopolist position of PZU.

[RZECZPOSPOLITA] A division, then?

[Kolodko] I would like to answer this question in two weeks' time; however, I do not rule out the possibility that PZU will be divided.

[RZECZPOSPOLITA] What is your evaluation of the program of commercialization of state-owned enterprises?

[Kolodko] My views are similar to the views of Minister Kaczmarek; I share his opinion that over 1,000 enterprises, especially the bigger ones, should be quickly commercialized, so that we will be able to lift the popiwek [tax on excessive wage increases] at the end of this year.

We also want to establish the criteria for selecting the enterprises that should be quickly privatized. On the other hand, the parliament should define the areas of the economy which will not be privatized in the foreseeable future.

[RZECZPOSPOLITA] The program of National Investment Funds will be continued, of course, will it not?

[Kolodko] Yes, it will. One must run forward; this program must be completed and looked upon as broadly as possible, even though it does not entirely resolve either the problems of ownership transformations, or the problem of running this property.

[RZECZPOSPOLITA] What portion of the GDP and what portion of the industrial production will come from the private sector in 1997, do you think?

[Kolodko] I do not know these figures and I am not particularly excited by any forecasts in this area. However, the private sector will certainly be developing faster than the state- owned sector and the indicators of its share in employment, production, and exports will be rising, due to the faster growth rate of private companies, the influx of foreign capital, and the denationalization processes. However, these indicators will be changing in favor of the private sector less rapidly than they have been changing in recent years, because a revolution is carried out only once. You cannot double something that already has over a 50- percent share in the global indexes.

[RZECZPOSPOLITA] What do you think of the participation of empioyees in privatization?

[Kolodko] My views on this are rather moderate. Not only does it not guarantee greater efficiency, but it also decreases budgetary receipts; moreover, it is unfair.

[RZECZPOSPOLITA] Why is it unfair?

[Kolodko] Because they put pressure on it and its beneficiaries are only defined groups of employees of mostly medium- sized enterprises. As a result, budget sphere employees, senior citizens, inhabitants of rural areas, and employees of enterprises which will still be owned by the state for a long time, including many large enterprises, are left out of the privatization process.

[RZECZPOSPOLITA] One of the restructurization and privatization ideas would be the exchange of the Polish debt for shares in Polish enterprises. Are any details known yet and does the government unanimously approve of this idea?

[Kolodko] The answer is negative to both questions. Generally, the thought is the following: the government's task, resulting from the reasons of the state, is to also dispose of some of the public debt while disposing of such a vast amount of assets. Hence the support for the settlement procedure or, in the future, the issuing of special public debt Treasury bonds which may be exchanged for elements of the privatized property. Some time in the future we would like to start buying out the public debt and offer the privatized property, especially to households. This will enrich our capital market. The second aspect is of an international nature. If we successfully finalize the reduction that has already been included in the general agreement with the London Club—and this process is slowly but surely going on—then I think that we should take the second step and implement a bold program of exchanging part of the remaining debt for shares in enterprises. I would like for such transactions to be closely related with the inflow of foreign capital from private sources; I would like them to be an element of the packet which also includes cash investment and (or) certain investment commitments for the future.

[RZECZPOSPOLITA] Investment or social commitments?

[Kolodko] I would prefer the former. It will create new work places.

We want to kill three birds with one stone... I guess that this is too much: decreasing the debt, privatization, and inflow of direct investment enhancing the competitiveness of the Polish economy. In this way these investments are supposed to be advantageous to the Polish people, even though, of course, the foreign capital will make its own business. I cannot see any discrepancy here.

[RZECZPOSPOLITA] If the program is to yield considerable profits, it must concern large and attractive companies—refineries, telecommunications, insurance, perhaps airlines...

[Kolodko] That is right. In Argentina 20 percent of the debt—$10 billion—was liquidated in this way. I can see no reason why we should not try this in Poland. Also here we must run forward and resist this pseudocapitalist bla bla bla that we will sell Poland out and give it away for half the price. This is just not true.

[RZECZPOSPOLITA] Your projects seem to be rather technocratic...

[Kolodko] They are pragmatic...

[RZECZPOSPOLITA] In the meantime, in one of your interviews you said that you would like the GDP to be distributed more justly. What does one have to do with the other and how do you intend to achieve this justice?

[Kolodko] The process of transformation is related to colossal redistribution and we touch upon this problem in almost every question. This redistribution is done through the budget or through the capital market, or it is transferred over borders. The beneficiaries of this process are various social groups and it will continue to be this way. Now, there is the question: How to distribute the results of the increase in productivity, the results of the growing GDP? We want to change the relations of work and remuneration. I am determined to depart from the chaotic, political, sick bidding system, which is anti market.

I am certainly not a populist, I will not allow anyone to put such a label on me. However, I believe that right now there is time for more social sensitivity. And I believe that it is in the interest of the people if we change the relations of work and the principles of remuneration. We cannot have a situation in which bilateral negotiations are always conducted, even if the problems are multidimensional. I am against transferring all the decisions concerning wages to the central level. I am in favor of deregulation and decentralization; I am also against the idea of imposing the concept of a corporate state.

We will have the Trilateral Commission; it will be written down in the law. However, it is supposed to be first of all a place where the conflicting interests will be discussed; it will be the forum of negotiations. It will certainly not decide everything. The government is subordinated to the parliament and to the president; it will certainly not be subordinated to the Trilateral Commission.

Now, returning to your question, when we speak about social justice, we do not say that we want to be good uncles and we want to give away some of the budget money. On the contrary. There is justice when the stronger are not allowed to take money away from the weaker—through strike pressure, for instance. More just distribution is when it is those who work hard that earn more money than those who strike hard, not vice versa.

Central Bank Chairwoman Favors Bank Mergers

WS2405101694 Warsaw ZYCIE WARSZAWY in Polish 24 May 94 p 9

[Report by Jerzy Krajewski: "To Unite Forces, To Confront Western Banks"]

[Text]*Hanna Gronkiewicz-Waltz, chairwoman of the National Bank of Poland [NBP], is in favor of big banks merging into even bigger structures which would be able to compete with Western banks in the future. She does not anticipate any private bank going bankrupt this year. She approves of the idea of allowing shares by all state-owned banks into public circulation soon.*

During a session of the "Club 500" attached to the editorial board of ZYCIE GOSPODARCZE yesterday, NBP Chairwoman Hanna Gronkiewicz-Waltz spoke in favor of a consolidation of the Polish banking system: "The point is not just about merging small private banks threatened by bankruptcies, with big ones, but also about mergers among big, state-owned banks, so that in a few years' time, when Poland joins the European Union, we have three to four large structures able to compete with huge Western banks"—she explained. When Andrzej Topinski, chairman of General Savings Bank- National Bank noted that there are no incentives for such a consolidation, the NBP chairwoman replied: "Mergers among large, state-owned banks should be promoted by the Finance Ministry which exercises ownership supervision over them." According to Gronkiewicz-Waltz, privatization of the banks should take place with the participation of foreign strategic investors who contribute modern management techniques and technologies.

Bankruptcies Not Very Likely

According to the NBP chief, one of the reasons for the difficult situation of the banking system, was an overly liberal policy of granting licenses to banks in the 1990-91 period. Over 60 new banks were established then but they are weak from a capital standpoint. Scandals involving some of them undermined customer confidence in all banks. That is why, over the last two years, licenses to open up new banks were granted at a slower pace and with more deliberation. Five banks received their licenses in 1992, while in 1993, it was just the

Polish Investment Bank (which arose out of the remnants of NBP's commercial part). The criteria for granting concessions were also tightened up.

The NBP chair does not anticipate a bankruptcy by any private bank in the immediate future, even though she does not rule cut such a possibility. NBP intends to spend 3 trillion zlotys this year for a program of bringing private banks back to health. This should be compared with $6 billion (over 130 trillion zlotys) which was spent on saving the banking system in Sweden in the 1990s. Gronkiewicz- Waltz was trying to convince the banks to display a greater solidarity: "When privately-owned banks in some region have troubles, this means a decrease of confidence also toward state- owned banks, while generally speaking, this also causes a decreased willingness to save money"—she said.

More Openness

Boguslaw Kott, chairman of the Bank of Economic Initiatives, proposed that state-owned banks implement a procedure soon to allow their shares into public circulation. The main purpose of such an operation now, would not be the introduction of the shares onto the stock market, but to better inform the public about the banks' financial situation. Wojciech Kwasniak, NBP's representative in the Securities Commission, promised to support the idea.

Bank Profiled on Eve of Privatization

WS2305115894 Warsaw NOWA EUROPA in Polish 23 May 94 p 17

[Report by P.S.: "Fewer Bad Debts—Bank Gdanski SA in Line for Privatization"]

[Text]*Along with Bank Handlowy w Warszawie SA, it is the most secure in Poland, it is fourth on the list of main activity indicators, and it is fifth in amount of capital—such are the rankings of Bank Gdanski SA. So far, it has had just one division in Warsaw, but as of Friday, it also has a branch.*

"The bank is getting ready for privatization. Is is second in line after the Krakow-based Bank Przemyslowo-Handlowy SA"—said Edmund Tolwinski, the bank's chairman. "But first we must put some internal things in order and prepare a program. After two privatizations of banks of the 'Group of Nine,', we want to conduct our privatization in the safest possible way."

So far, the establishment of an information management system has been of the main directions of activity. Divisions and branches have been computerized for the customers' needs, but there is no integrated management system. Availing itself of World Bank credits and working in line with its procedures, Bank Gdanski will make a decision in June as to who will deal with designing and implementing such a system.

An extension of the range of activities is another issue. Talks with a French insurance group named Azur are already in progress. The bank will be selling a few of the group's products as its agent before the end of the year, while a joint undertaking is being planned for 1995. Its main goal will be life insurance.

The process of restructuring bad debts has been progressing favorably. As the first bank in the country, Bank Gdanski SA resolved the problem of difficult credits by selling its financial claims. It happened in 1992 and it applied to a debt incurred by the Szczecin shipyard which constituted 25 percent of Bank Gdanski's "bad credits." For 31 December 1991, such bad credits constituted 32.5 percent of the total value of credits. On 31 March this year—the deadline for finalizing the restructuring—the figure dropped down to less than 20 percent. "The structure of the current difficult debts is completely different from that of three years ago"—said Hubert Kierkowski, the bank's deputy chairman for restructuring. "Back then, difficult debts were comprised of credits for huge state-owned enterprises whereas currently, they are loans granted to smaller privately-owned companies."

Commenting on rumors regarding a merger with Bank Slaski, Chairman Tolwinski stated that some analysis work has been conducted but without any specific bank in mind.

Commercialization of State-Owned Units Viewed

WS2305121894 Warsaw ZYCIE WARSZAWY in Polish 23 May 94 p 9

[Article by Zbigniew Grzegorzewski: "The Medicine of Commercialization; There Will Be Fewer Disputes Among Chiefs of Economic Ministries; Position of Managers of Deficit-Stricken Enterprises Will Be Weakened"]

[Text]*By the end of 1998, there will be no more state-owned enterprises in Poland—such is supposed to be the result of a government-adopted commercialization program. The Ministry of Ownership Transformations [MPW] will gain in importance—it will no longer have to listen to what foundation organs [organy zalozycielskie] have to say.*

The most important part about the commercialization program is that a shape of the ultimate, future model of the Polish economy has been defined with some precision. For the first time, the program suggests separating the flow of revenue from income. Revenue from privatization would go not just to the state budget. A restructuring path is to be established in industries, supervised not by the state administration, but a trust agency based on commercial principles. And that is more important than the fact that state-owned enterprises—through commercialization—will be transformed into Treasury-owned joint-stock companies [JSSP].

There are still about 5,300 state-owned enterprises, but not all of them are to be covered by the commercialization. Small enterprises will be excluded, due to the cost of such a transformation—they are supposed to be simply solo as soon as possible.

Not for the Weak Ones

What is more important, the commercialization will not cover those enterprises whose funds are negative (or at zero level) as it is impossible to establish a company in which the capital would not be effectively covered —this would be against the Code of Commerce.

The program clearly suggests—even though it happens through dispersed provisions—that enterprises will no longer be so easily bypassed by bankruptcy proceedings. According to the changes being proposed, notions of a mandatory and non-mandatory bankruptcy will appear in the law on state-owned enterprises. The mandatory type of bankruptcy is supposed to take place when the value of the property being given away for usage exceeds half the financial resources of the enterprise. It means more radical policies toward those companies that have reported profit, not through production, but through the leasing of national wealth.

Managers, Beware!

An attempt to have the enterprises financially disciplined is also demonstrated by the proposal that foundation organs be empowered to recall those managers who conduct irrational policies, and also—perhaps even more important—those who resist declaring bankruptcy.

MPW's position would also be stronger as a decision on commercialization could be undertaken without the consent of the enterprise's organs, and even without the consent of the foundation organ. If this were to be implemented, the recent dispute between Ministers Kaczmarek and Pol (and two other ministry chiefs) would not happen again; the dispute created a danger that privatization might go in different directions, depending on the ministries' policies.

Instead of collecting a capital tax (so-called interest rates on JSSP's capital) which is completely detached from company profit, the State Treasury is supposed to derive income from dividends on profit. The dividends for the budget would be divided (it is not known yet in what ratios). A part of them should be reinvested, and destined for a restructuring of JSSP's. That should not be dealt with by MPW, but by agencies operating on commercial principles.

When it comes to enterprises, the decision on whether to accept the commercialization program could be determined by the proposition that the enterprises be able to decrease their initiation capital by the value of redundant property, and then to just bear the cost of securing the property. But at another point, it is mentioned that a transfer of redundant property to the State Treasury will be possible. May it be only in those cases where the State Treasury will think that it may somehow use the property, otherwise the taxpayers will feel the impact.

Only after deliberating on these consequences of a massive commercialization, can one mention the obvious: In developed market economies, there are no state-owned enterprises (with employee boards), but there are instead companies based on the Law of Commerce, and these may even have the state as the main shareholder.

Commercialization may also turn out a job offer for managers, since MPW has to come up with 14,500 candidates for filling up the posts on the supervisory boards of about 4,000 companies,

Politicians Assess Television Reporters' Skills

WS2405094894 Warsaw ZYCIE WARSZAWY in Polish 24 May 94 p 4

[Article by Robert Krasowski: "Professionals or Bunglers?; Politicians and Journalists Do Not Think Highly of Each Other"]

[Text]*There is no agreement among politicians about professional television journalists. According to some politicians, the journalists are professional and thorough, while other politicians accuse television journalists of bias, superficiality, and sensation seeking.*

For a few months now, there has been a spirited argument going on among politicians as to the assessment of the new public television management, but that is not the only theme of the argument. Another one is something much more tangible—assessments of the degree of professionalism of television journalists.

According to Jan Litynski of the Freedom Union, in recent times, the level of reporting and of television news programs has much improved and he says it is "quite high." In his view, the commentaries and reports are professional and describe well the essence of the political event in question.

While Litynski's only complaint concerns constant changes in the arrangement of television studios, Jerzy Wiatr of the Democratic Left Alliance has some more serious accusations to levy. In his view, the general level of professionalism displayed by television journalists, is low. "There are instances of professional, intelligent, and unbiased journalists"—Wiatr lists Andrzej Morozowski as one of them—"but there are also many very bad ones." He adds that the level is much below the capabilities that exist in Poland and that is because many valuable people are removed.

In Wiatr's opinion, the main "sin" of television journalists is not political prejudice but superficiality. In contrast to their Western colleagues, Polish journalists are often times poorly prepared to handle the topics they have been assigned. They often try to cover up this ignorance with engaging in polemics or even with a certain degree of aggressive behavior.

According to Litynski, television journalists are not biased. Even if one can be critical regarding, for instance, the composition of a panel of guests invited to some political talk show, there is no bias in that whatsoever. Wiatr in turn thinks that often, errors in journalistic work do not indicate simply a lack of professionalism but also bias.

Tomasz Nalecz of the Union of Labor has high praise concerning television journalists. True, he thinks they engage in too much sensation seeking (a report about a Sejm deputy who caused an accident after having drunk two beers is more important than a significant decision by the Sejm) but he adds immediately that the team of journalists servicing the Sejm is fully competent and professional.

Nalecz is outraged at the decision to suspend Grzegorz Miecugow for failure to include a report on the president's return from Estonia in "Wiadomosci" [main television newscast]. Nalecz thinks Miecugow was right in his decision.

"This proves that we still do not have a purely information- oriented type of journalism"—Nalecz says. "But I do not condemn journalists because a short leash has always been applied to them."

Reporters Assess Politicians' Media Skills

WS2405094494 Warsaw ZYCIE WARSZAWY in Polish 24 May 94 p 4

[Article by Piotr Smilowicz: "Professionals or Bunglers?; Politicians and Journalists Do Not Think Highly of Each Other"]

[Text]*Television journalists agree that a majority of politicians do not know how to present their views in front of the camera. But what they do know how to do, is to pressure television and blame it for the politicians' negative media image.*

"Politicians have major problems in communicating what they have to say. As a general rule, it is hard to make them provide concise statements that would be within the time limit they have been assigned"—says Adam Pieczynski, chief of "Wiadomosci" [main television newscast]. He adds that because television has to cut out some of the material (which is necessary in such cases), it makes television information programs vulnerable to the accusation of manipulating politicians.

Piotr Zaremba, chief of the news department of Polish Television's Channel 1, agrees with the view: "There are very few politicians who are able to communicate their thoughts succinctly and appropriately"—Zaremba notes.

According to him, there are no more than a handful of political activists who come through well on television—he lists Ryszard Bugaj, Aleksander Kwasniewski, and Kazimierz Ujazdowski.

"From among the political parties, politicians for the Democratic Left Alliance definitely know best how to present themselves on television. It is clear that they have worked on their statements to ensure that they are concise, and without a tone of aggression or holding something against somebody"—Zaremba says. But when it comes to politicians for the Polish Peasant Party, Zaremba says they portray themselves much worse.

"They do not know how to act in front of the camera, they are embarrassed and shy. Their bad image is later explained with television's alleged dislike of them"—Zaremba says.

"My assessment of politicians' capability to present themselves on television is a 'C minus'"—says Wiadomosci's Tomasz Lis. He adds that he is bothered by the fact that politicians do not understand the rules governing television or what the viewers expect from it. "A politician for the coalition proposes time-slots for the government in prime time. He does not understand the disastrous effect this may have both for him and for television's image"—Lis says. In his view, the current pressures exerted on television may cause a loss of its credibility which has been worked on so hard over the past four years.

Piotr Zaremba also agrees with the view that politicians do not understand the rules governing television: "Recently, the 'Convention' program was taken off the television schedule. In it, representatives of a few political parties spoke out, and it was broadcast on Friday evenings. The program was very poorly made and its audience was at zero level. But its elimination caused massive protests by various parties—mainly from outside parliament—to the effect that the last place from which they can address society, is being taken away from them. This is proof of a complete lack of understanding the fact that in order to address viewers, one must first get their attention"—Zaremba says.

New Copyright Law Takes Effect 23 May

LD2305190694 Warsaw TVP Television First Program Network in Polish 1730 GMT 23 May 94

[Relayed by Warsaw TV Polonia Network]

[Excerpts] A new copyright law comes into force in Poland today. Illegal producers of cassettes, records, or computer programs can now be fined or even receive prison sentences. Just last year, out of a total of 65 million records and cassettes sold on the market, as many as 90 percent were pirate recordings. [passage omitted]

Illegally produced cassettes of Polish music cost 20,000 to 30,000 zloty. Cassettes with foreign music cost 60,000 zloty. Beginning today, all records and cassettes will have to bear special holograms, and they will cost two to three times more than before. [passage omitted]

World record producers made over 30 billion dollars in profits last year. In Poland, such profits amounted only to 66 million [currency not specified]. The reason for such small profits was the activity of illegal producers. Record company profits were reduced even further by the existence of compact disc libraries, as records borrowed from the library could be rerecorded on cassettes. [passage omitted]

The authors of literary or musical works, or their inheritors, will obtain royalties for 50 years, as opposed to the 25 years envisaged by the law until now. Offenders who break the copyright law—for example, by illegally producing and copying books, records, cassettes, or computer programs—may be punished with high fines or even sentenced to prison for up to five years.

Serbian Delegation Departs for Geneva Meeting

LD2405103794 Belgrade TANJUG Domestic Service in Serbo-Croatian 1003 GMT 24 May 94

[Text] Sarajevo, 24 May (TANJUG)—A delegation of the republic of Srpska—made up of Momcilo Krajisnik, president of the republic of Srpska people's assembly, and foreign minister Aleksa Buha—left for Geneva today where a meeting between the contact group and the cochairmen of the conference on the former Yugoslavia, David Owen and Thorvald Stoltenberg, is being held.

The republic of Srpska's press office has announced that the delegation is to present to representatives of the international community and cochairmen Owen and Stoltenberg the Serb side's stance on the possible resumption of the peace talks, stressing the establishment of a lasting cease-fire in all parts of that former Yugoslav republic and the equal treatment of all sides in the conflict. This is in line with the conclusions of the republic of Srpska assembly adopted at a recent session in Brcko.

The Serbian side will warn of the Muslim offensive that has been going on with unabated intensity, and will insist that the unfair and inadequate behavior of the Muslim side hampers any resumption of talks, a statement says. The republic of Srpska's delegation is expected to take part in consultative meetings with important personalities from the international community who are interested in the speedy creation of conditions necessary for the resumption of talks.

Immediately before departure, Krajisnik said that there were considerable problems in creating conditions for the resumption of talks. The statement stresses that the contact group for Bosnia-Herzegovina has ignored the solving of these problems, underestimating their importance.

Silajdzic Criticizes UN Inaction on Gorazde

AU2305123894 Paris AFP in English 1200 GMT 23 May 94

[Text] Sarajevo, May 23 (AFP)—Sergio Vieira de Mello, the UNPROFOR [UN Protection Forces] civil affairs director in ex-Yugoslavia, is scheduled to meet Monday [23 May] with Bosnian Prime Minister Haris Silajdzic to discuss the application of UN Resolution 913 on Gorazde. Silajdzic, in a television interview Sunday, questioned the UN's credibility saying that "in terms of Gorazde, where everything had started off well with a NATO ultimatum, these UN measures were successful in delaying everything to the point where it has practically become a joke. If they are not capable of doing something in Gorazde, how could they on a larger scale," he said, adding that as a result the Bosnian government would cautiously enter into the next round of negotiations.

Serbian Attacks Reported in Teslic, Doboj

AU2305191994 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 23 May 94

[Report by Mirudin Aldobasic from Tesanj]

[Text] The aggressor is not only constantly attacking this heroic town but also the remaining free territories of Doboj and Teslic. The situation is highly dramatic along the Teslic-Tesanj separation lines, where the Chetniks have undertaken powerful artillery-infantry breakthroughs, mainly toward [words indistinct]. They attacked from all available arms. During this period, more than 1,000 projectiles landed on Tesanj, on (?Dobropolje), and other Tesanj settlements, while the Serbian terrorists also attacked with tanks the civilian settlements on these free territories.

On the northern part of the battlefield, the Chetniks started tank-infantry breakthroughs, mostly in the zone of responsibility of the 110th Croatian Defense Council Brigade Usora and (?203th) Famous Motorized Brigade Doboj Bosnia. All these attacks were successfully repelled, while members of 2d Combat platoon destroyed one tank, eliminated tens of Chetniks, and also destroyed [words indistinct] of military hardware.

Five Civilians Wounded in Mortar Attack on Doboj

LD2305182394 Belgrade TANJUG Domestic Service in Serbo-Croatian 1740 GMT 23 May 94

[Excerpts] Doboj, 23 May (TANJUG)—Muslim units have intensified their attacks and provocations against Serb defense lines and residential areas on all parts of the front in the Doboj area, the information service of the republic of Srpska army's 1st Krajina corps said this evening. Early this afternoon, Muslim forces fired some 10 shells on Doboj from their positions southwest of the town. Five civilians, including two children, were wounded in the attack and considerable material damage was caused. [passage omitted]

At the same time, Muslim artillery fired more than 20 artillery shells on the town of Teslic and its suburbs, and launched an infantry attack on Serb defense lines southeast of Teslic. A number of civilians were wounded in the artillery attack against Teslic and considerable material damage was caused [passage omitted]

Serbs Rout Muslim 'Terrorist' Group in Teslic

LD2305184094 Belgrade TANJUG Domestic Service in Serbo-Croatian 1752 GMT 23 May 94

[Excerpt] Teslic, 23 May (TANJUG)—TANJUG has learned from Serb military sources that members of the [Bosnian] Serb Republic Army routed a sabotage-terrorist group this morning on the Teslic front in the region of Vlasko Brdo. Three terrorists were killed and another two wounded and captured, while the remaining members of the group fled in the direction of Zeljezno

Polje. The captured Muslim soldiers disclosed that strong forces were grouping in the region of Zeljezno Polje and Seric, southeast and south of Teslic, under the direct command of General Rasim Delic. [passage omitted]

Muslim Shelling Causes 'Great Damage' in Brcko

LD2305210794 Belgrade TANJUG Domestic Service in Serbo-Croatian 2046 GMT 23 May 94

[Excerpt] Brcko, 23 May (TANJUG)—Muslim forces targeted Brcko with tank shells four times in less than two hours this evening, TANJUG's correspondent has reported. Six people were wounded in the attacks. Twenty year-old Sinisa Raslic suffered the most serious injuries and was transferred to the Military Medical Academy in Belgrade. All Muslim targets were civilian, and great damage was done to residential buildings in Brcko. [passage omitted]

Three Killed in Serbian Attack on Brcko

AU2405091194 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 0800 GMT 24 May 94

[Report by Hamiz Deronjic and Nihad Salihovic]

[Excerpt] The tragic outcome of the terrorist attack by the chetnik artillery on the free Brcko territory last night is three dead and a dozen or so wounded civilians. After provocative attacks on the positions of the Brcko defense yesterday, last night, at 1945, the enemy launched a fierce artillery attack. Using mortars of all caliber, recoilless guns, howitzers, and the T-12 gun, the aggressor shelled our positions between Ljukici and Kladije [words indistinct] Omerbegovaca and Vranovaca with destructive projectiles.

Unable to change anything at the impenetrable defense lines, at 2015, the chetniks turned their artillery in a criminal fashion toward civilian targets deep toward the free Brcko territory. The aggressor mercilessly attacked unarmed civilians and houses on free Brcko territory with 122-mm and 155-mm howitzers, 122-mm mortars, and hill guns for a whole hour. [passage omitted]

Serbian Attacks on Bihac Reportedly Continue

AU2405091594 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 0800 GMT 24 May 94

[Report by Mirza Sadikovic from Bihac]

[Text] After yesterday's wild and bestial artillery attacks by chetniks on the Bihac region, during which members of the UN Protection Force were directly endangered, the joint aggressors continued attacks overnight and this morning. Provocations with small arms on most lines of the front in the zone operations of the 5th Corps and the General Command of the Croatian Defense Council of this region, and sporadic treacherous and indiscriminate shelling mark the last 24 hours. The chetniks shelled the outskirts of Cazin last night. In this way they directly supported members of the Abdic's traitor paramilitary army, who have been launching attacks with anti-aircraft and anti-armor weapons on all lines of separation throughout this period. In the broad area around Pecigrad they tried to penetrate our lines with infantry and infiltrate subversive-terrorist groups.

UNHCR: Serbs Halting Convoys to Bihac

AU2305204094 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 23 May 94

[Text] Halting humanitarian convoys is a favorite pastime of the chetniks. On the occupied territories of Croatia, they have since 17 May been stopping the passage of UNHCR convoys destined for the residents of Bihac and its surroundings. Near [word indistinct] they stopped four convoys, consisting of 30 trucks with approximately 500 tonnes of food and other medications, UNHCR envoy Peter Kestler said. According to him, Serbian forces in the last six days have prevented passage to 12 UNHCR convoys all together [words indistinct] 1,300 tonnes of aid. At the same time, Peter Kestler said, [words indistinct] Velika Kladusa, from which one can conclude that their intention is to hurt Bihac and this part of the Cazin Krajina.

Iranian Official Assures Silajdzic of Aid

AU2305205394 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 23 May 94

[Text] [Words indistinct] [Prime Minister] Haris Silajdzic today despite [words indistinct] also received a delegation of the Islamic Republic of Iran led by (Ibrahim Rahimpur), director general for Central and Northern Europe at the Iranian Foreign Ministry. The talks were also attended by Iranian Ambassador to Bosnia-Herzegovina Muhammad Asayesh-Zarebi.

During the frank and friendly talks, (Rahimpur) conveyed the impressions of Minister Velayati to Prime Minister Silajdzic and expressed the readiness of the Iranian Government to continue offering humanitarian and political aid to the people and the Government of Bosnia-Herzegovina.

Stressing that Iran is helping Bosnia-Herzegovina on the basis of friendship and not on the basis of religion and that it is doing so without setting any conditions, Prime Minister Silajdzic emphasized that there is no reason for concern in some circles because of this, since we, being a sovereign country, choose our friends and receive our guests.

Silajdzic hailed the idea of forming a tripartite commission for economic cooperation between (?Croatia), Iran, and Bosnia-Herzegovina.

Invites Ljubijankic for Visit

AU2305205594 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 23 May 94

[Text] The high-level guest from Iran was also received by Foreign Minister Irfan Ljubijankic. They discussed the relations between the two countries and the manner and type of humanitarian aid for our country. Ibrahim Rahimpur conveyed an invitation from Iranian Foreign Minister 'Ali Akbar Velayati to Minister Ljubijankic to visit Tehran.

Dr. Irfan Ljubijankic briefed the esteemed guest on the situation in Bosnia-Herzegovina and our position in the forthcoming talks initiated by the contact group. Minister Ljubijankic reiterated the demand that the contact group be joined by a representative of the Islamic Conference Organization and emphasized our readiness to [words indistinct] all the provisions of the Washington agreement, [words indistinct] the importance of timely and successful realization of this agreement.

No Clashes Reported Between Army, HVO

AU2305193694 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 23 May 94

[Excerpt] The Sarajevo UN Protection Forces [UNPROFOR] today reported that the situation on the demarcation lines between the [words indistinct] Bosnia-Herzegovina Army and the Croatian Defense Council [HVO] is stable and that there are no clashes. It was also [passage indistinct]. [passage omitted]

Muslims Ban Free Movement of Croats in Vares

LD2305223394 Belgrade TANJUG in English 2223 GMT 23 May 94

[Text] Belgrade, May 23 (TANJUG)—The Moslem authorities in Vares on Monday banned free movement of Croat civilians on the entire territory of the town in central Bosnia-Herzegovina. As reported by Croatian radio, Croat civilians were also banned from entering or leaving Vares.

The local Bosnian Croat army command requsted mediation of the United Nations peacekeepers (UNPROFOR), said the radio. Vares, a mining town which had a majority Croat population before the war, was seized by the Moslem army last autumn.

Around 10,000 Croats expelled from the town have sought shelter in the territory of the Serb republic, the state of the Bosnian Serbs. The relations between the Bosnian Croats and Moslems have become tense on the terrain and the number of incidents is growing while the leaderships of the two Bosnian ethnic communities are preparing a formal proclamation of a new, Moslem-Croat federation in Bosnia on May 30. The agreement on forming a Moslem-Croat federation was reached under strong pressure of the United States.

For a whole year before their abrupt reconciliation in march, the two sides were engaged in bloody fighting for territories with mixed population in the central and southern parts of Bosnia-Herzegovina.

Continuing 'Crisis' in Parliament Viewed

LD2305181894 Zagreb Radio Croatia Network in Serbo-Croatian 1700 GMT 23 May 94

[Excerpt] After a meeting this morning of the Croatian Democratic Union [HDZ] deputies club, chaired by President Franjo Tudjman, and a meeting of opposition leaders, a session of the Parliament's House of Counties began in the early hours of the afternoon. It was adjourned around 1800. The parliamentary crisis does not seem to have been overcome despite an agreement among the parliamentary parties on the distribution of the key positions in the parliament.

[Correspondent] Josip Manolic was relieved of duty in a relatively swift and painless manner and the HDZ's Katica Ivanisevic was elected to take over his position. However, the crisis was reopened during the voting by 68 deputies present at the session, when Josip Manolic got 33 out of the 35 votes needed to be elected third deputy speaker in the chamber of counties. Such an outcome of the vote demonstrates a failure by the HDZ to respect the interparty agreement, according to the opposition. It leads to a parliamentary crisis, Mestrovic said. [passage omitted]

New House of Counties Speaker Elected

LD2305163694 Zagreb Radio Croatia Network in Serbo-Croatian 1500 GMT 23 May 94

[Excerpts] Katica Ivanisevic is the new speaker of the Croatian Parliament's House of Counties, the chamber's deputies decided this afternoon. [passage omitted]

[Correspondent] The code of practice was amended by a majority vote to the effect that the chamber now has three deputy speakers. The majority party proposes the speaker of the chamber. Two deputy speakers are elected from the ranks of opposition parties and one from the majority party, at either the ruling HDZ's [Croatian Democratic Party] or opposition's proposal. The first deputy speaker is proposed by the opposition. [passage omitted] After Josip Manolic was relieved of duty by a majority vote, Professor Katica Ivanisevic of the HDZ was unanimously elected speaker of the chamber. [passage omitted]

Krajina Serbs Want Akashi To Act as Mediator

LD2305142094 Belgrade TANJUG Domestic Service in Serbo-Croatian 1308 GMT 23 May 94

[Text] Knin, 23 May (TANJUG)—Milan Martic, president of the republic of Serb Krajina [RSK], today received Enrico Agiliar, head of the civilian affairs section for UNPROFOR [UN Protection Forces] in Sector South, and proposed to him that UNPROFOR should take over the handling of the resumption of talks between Krajina and Croatia. Martic expressed dissatisfaction over the way this has been handled by Gehrt Ahrens and Kai Eide, deputy cochairmen of the conference on the former Yugoslavia, and proposed that Yasushi Akashi, the UN secretary-general's special envoy in Yugoslavia, take over as the coordinator to bring about the resumption of talks.

According to a statement by the RSK president's office, the two deputy cochairmen have acted as mediators in a tendentious and one-sided [as received] way and and have, in fact, only been passing on Croatian demands to the republic of Serb Krajina. President Martic said that mediation by a neutral and objective diplomat such as Yasushi Akashi would certainly produce certain results and would speed up the negotiating process between Knin and Zagreb.

Mesic Sees Serbs as 'Common Enemy'

AU2305160294 Belgrade BORBA in Serbo-Croatian 23 May 94 p 20

[BETA-attributed report: "Serbs—Common Enemies"]

[Text] Pristina, (BETA)—Stipe Mesic, chairman of the Chamber of Deputies of the Croatian Assembly, stated for the latest edition of ZERI, the Pristina weekly in Albanian, that the so-called Republic of Kosovo was proclaimed by "the legal and legitimate parliament" in that region.

Mesic believes it would be "perfectly logical" if "the republic of Kosovo" were to have its representative and an office in Zagreb. According to Mesic, the war between the Croats and the Muslims in Bosnia-Herzegovina was "absurd" since both sides have "a common enemy—the Serbs." Asked whether Croatia will be able to incorporate the territory of the republic of Serbian Krajina, Mesic said that first the Serbs in Krajina would have to be "politically defeated."

"The most important thing is for the international community to isolate Milosevic completely and to close off all the bridges and roads via which Serbia supplies the Serb army in Bosnia-Herzegovina with weapons," Mesic said. Mesic also said that due to forceful pressure from Belgrade, Croatia had to ban the news program in Albanian on Croatian Radio.

Ω'Croatian Independent Democrats' Cite Goals

94P20772A

[Editorial Report] Two Croatian dailies, Zagreb VJESNIK and Split SLOBODNA DALMACIJA, reported in their 2 May issues on a 30 April meeting in Zagreb at which breakaway members of the ruling Croatian Democratic Community (HDZ) founded a new party, the Croatian Independent Democrats (HND).

"Our appearance on the Croatian political scene restores belief in democracy in Croatia," Croatian Parliament President Stjepan Mesic stated in his opening speech (VJESNIK; SLOBODNA DALMACIJA). Explaining the establishment of the new party, he added: "The HND has appeared on the Croatian stage because of a crisis that has afflicted the process of democratization of

Croatian society and the system of governing by the ruling party and the Croatian state." According to SLOBODNA DALMACIJA, Mesic said that a "rift" had occurred at the Second Assembly of the HDZ in October 1993 and that advocates of a "military approach to the issue of Bosnia-Herzegovina" and of "authoritarian rule," who sought to limit democracy in Croatia, had prevailed. Under conditions of war, VJESNIK cites Mesic as stating, "one could and had to tolerate authoritarian rule over state affairs from a single center," but now everyone was asking for democratization.

Listed below are the goals and policies of the HND that Mesic laid out in his speech, as reported in the VJESNIK and SLOBODNA DALMACIJA accounts:

- Separation of power into three branches of government;

- Freedom of the media;

- Protection of minorities and respect for human rights;

- Majority rule and a Western-style parliamentary system;

- Decentralization of power through the strengthening of local administration and self-management to "promote regional particularism";

- Integration of Croatia into European "trends";

- Promotion of peace;

- Unchangeability of borders;

- Decrease in the level of armaments in the area;

- Support of Bosnia-Herzegovina's integrity and the Washington agreement establishing the Bosnia-Herzegovina federation;

- Rejection of Serbia's right to intervene in the "so-called krajina" issue and cooperation with Serbia only after its recognition of Croatia within its internationally recognized borders;

- Closer relations with Slovenia;

- Taking into account "Montenegro's individuality";

- Development of relations with Islamic, nonaligned, and Mediterranean countries;

- Denationalization;

- Rapid privatization;

- Decreased state influence on the economy and free enterprise;

- Restoration of the dignity of peasants;

- Social welfare and care for refugees and war invalids; and

- A modern educational system.

SLOBODNA DALMACIJA reported that Mesic was elected HND president, receiving 191 of a possible 197 votes, and that Josip Manolic, Tomislav Duka, Slavko Degoricija, Perica Juric, and Dragutin Hlad were elected vice presidents. Darko Hrastovec was elected the party's secretary. The following persons were elected to the HND Presidency: Stanislav Pavic, Pero Kriste, Romano Bolkovic, Leticija Drndic-Antolic, Andjelko Sikiric, Dalibor Kovacevic, Emanuel Justament, Ante Sare, and Josip Zebic. A 15-member Executive Council and a 5-member Supervisory Council were also elected.

After the founding meeting, SLOBODNA DALMACIJA reported, the HND leaders held a news conference. Stipe Mesic refused to answer a question about how many members the new party had, explaining that "the people are going through the wringer, and great pressure is being exerted on them." When journalists pressed for information on what kinds of pressures were involved and on whom they were being exerted, Josip Manolic responded that "people were summoned during the night for talks with the president, during which there were offers and a few threats."

Manolic stated that the HND was already the second-largest opposition party in the Assembly, adding that "differentiation" with the HDZ had just begun and will last until the disintegration of the HDZ, the abolition of the "one-man monopoly," and the establishment of a political monitoring of the government by the opposition.

In reply to numerous questions about the HND's support for increased regionalization, Mesic said that the new party advocates such plans when they are responsive to regional individuality and needs. Slavko Degoricija maintained that the territorial division of Croatia into 22 counties was artificial and that, historically, it would be more justified to set up eight to nine regions and to develop regionalism that would contribute to the integrity of Croatia. The VJESNIK account of the news conference reported that Croatian Assembly deputies who had joined the HND said they did not intend to give up their Assembly seats. VJESNIK also noted that Mesic stressed that the balance of power in the Assembly with regard to Croatia's Bosnia-Herzegovina policy had been altered by the establishment of the HND. In contrast to what he claimed was Tudjman's policy of partitioning Bosnia between Croatia and the Federal Republic of Yugoslavia, Mesic supported an integral Bosnia-Herzegovina.

Article Cites Lack of Policy for Privatization

94BA0264A Zagreb DANAS in Serbo-Croatian 3 May 94 pp 18-20

[Article by Marko Franjic: "Economy on State Reservation"]

[Text] If enterprises under majority state ownership had clear strategic goals and if management were responsible for their operations, the type of problems that have

emerged surrounding the government's decision on banning sponsorship would be impossible.

At one of its recent meetings, the government of the Republic of Croatia discussed, among other things, a ban on state-owned enterprises being sponsors, because according to government officials some budget beneficiaries have compensated for the lack of money following consolidation of the state budget through sponsorships. As these sponsorship funds originate from state enterprises, many of which are money-losing ventures, the government decided to ban sponsorship by enterprises where it is the majority owner. The competent ministries must reexamine all sponsorship agreements in order to gain insight into the dimensions of this "form of siphoning off funds," as the government described it.

The somewhat unusual and unexpected decision by the government comes at an inauspicious time, because the situation has become exacerbated with the strike by education workers. Those involved in cultural affairs felt that they are hardest hit by this government move, and they reacted to it immediately, while athletes, who perhaps will actually be hardest hit by the sponsorship ban, were simply caught off guard. This government decision has intensified certain old economic problems that are detrimental to the market development of the Croatian economy, for which the government still has no solution, although its officials contend that they do. To be sure, these are public enterprises and state-owned enterprises. Although through the decision the government has once again affirmed that it is ready to fully and decisively implement a stabilization program, even adopting such ad hoc decisions if it senses that its goals are threatened, tensions have mounted to a red-hot state while the weaknesses in managing state enterprises have not been resolved. If they had been, the government would not be in the position of accountant for public enterprises; instead, the management would be responsible for its operations.

No Strategy

The government's moves show that there is no development strategy for these enterprises, whose position in the economy is almost of crucial importance, nor are there projections of their future position. Moreover, it appears that the tacit social consensus that the government enjoyed is slowly being drawn into question. Even now it is becoming clear what this consensus has meant to it in the implementation of the stabilization policy, even though statements by union leaders have long provided an indication of their disappointment with the government's belittlement of its social partners. The government contributed to a great extent to the eruption of the strike by education workers and to the protest by cultural workers through its arrogant and intolerant behavior, only to resolve all issues through negotiations, which should have been attempted even before the strike.

In sponsorship, the government sensed the possibility of budget breaches. Valentic recently explained to businessmen and the public that he must insist on the budget adopted by the Assembly, without breaches in a single item on the outlay side, and that position is being followed blindly. However, such a decision—seemingly resolute and perhaps even appropriate—is more of an indication of all the problems of government relations with public enterprises and the lack of strategic guidance for the Croatian economy, in which the state defines its interests and priorities, than it is a reflection of resolve in the pursuit of economic policy.

Four years ago, when it was decided to found 11 public enterprises under state authority based on a special societal interest, a major inclination by the new state to control all significant economic subjects was discernible, but at the time it was not realistic to expect that an economic strategy would be known precisely. Over four years' time, however, only Astra has departed from that select group, and nothing significant has happened in the government's policy toward those enterprises. In addition, the state has become the majority owner of a large part of the Croatian economy that has undertaken transformation even though it was expected that with the privatization of the rest of the economy the public enterprises too would gradually begin privatizing.

Administrative Committees

The public enterprises are very important: One-third of the capital of the Croatian economy and 13 percent of all employees were concentrated in these 10 enterprises when they became public, and they accounted for 11 percent of all revenues. Although all governments have emphasized their importance, and some—such as the Sarinic government—have declared the resolution of their status to be a top priority, key problems have remained in relations with these enterprises, which is unacceptable precisely because of the proclaimed greater interest, but also because of their position on the market. The majority of them are monopolies, but for some this is not a natural position.

The state was supposed to manage the enterprises through administrative committees. The way in which functions in the administrative committees were understood in our country is largely well-known, as is the fact that they did not work on strategy and on defining economic policy at the enterprises, nor was their relationship to the state specified. It is interesting to observe how the administrative committees operate based on the example of the Fund for Privatization [HFP]. At the beginning of privatization, the fund's administrative committee had seven members because transformation was not regarded as essential, except declaratively. When privatization got into full swing, the number of members rose to 11, but now that everyone has realized that privatization is an essential process there are 13 members of the administrative committee, while the employers' association has demanded that one of its

members be admitted to the fund's administrative committee. Judging from the new acquisitions (Ivic Pasalic), it is clear that these expansions of committee membership are politically motivated, and it can hardly be expected that it will formulate a strategy for development of the Croatian economy.

Right now it can be said that the state has not pursued a consistent policy toward the public enterprises. There is no obligation to realize profits and to transfer them to the state budget; some enterprises are exempt from payments of taxes on profits, while some are not; some cover losses from the budget, while some do not, even when the loss is the result of an administrative restriction, etc. To be sure, there cannot be a uniform model in dealing with them, because their roles and positions in the economy differ, but there must be a strategy with defined goals. The overall goal of economic policy must be stability and growth, which will be achieved by increasing business efficiency, and it has long been clear that private enterprises conduct business much more efficiently.

Return of "Write-Offs"

Of major importance to the economy of any state is how big companies conduct business, especially if they are state-owned. Over the past three years (from 1991 to 1993), the state has helped out Croatian Railroads [HZ] with subsidies amounting to approximately 950 million German marks [DM], but in those three years HZ has operated with additional losses of around DM220 million, which means that more than DM1.1 billion has been spent on the railroads. The projected subsidy for this year is around DM290 million, but the situation is not improving. On the contrary: There have already been strikes and political affairs (Kralj, Seks) at HZ, and the HZ Independent Union recently sent a scathing letter to Prime Minister Valentic concerning detrimental contracts (allegedly, HZ has been harmed to the tune of around DM10 million from only three contracts with private enterprises). Strong opposition to the involvement of Josip Bozicevic, former minister of trade and communication, in the management of HZ was also expressed.

The letter from the union includes the following: "We regard the return of those who have been 'written off' to the top management of HZ, led by Mr. Bozicevic (65 years old), as an attempt to cover up and conceal plunder and pillage at HZ, and as the return of a nebulous and hopeless state at Croatian Railroads." Although the government has introduced a new bill on railroads that proposes solving the railroad problem in three stages, and although railroads are subsidized everywhere in Europe except in Sweden, it appears that the proposed personnel solutions will be problematic: Experts have also expressed their reservations toward this solution, and it appears that the railroad issue will remain very painful for every Croatian government for some time to come.

Of the 10 public enterprises, only NARODNE NOVINE and the HPT [Croatian Post and Telephone] are operating in the black, while Croatian Forests is close to it; besides the railroads, Jadrolinija--which the government is helping with subsidies—and the Croatian Electric Power Industry are operating in the red. The others are borderline, operating at the "break-even point," whereby INA [Petroleum Refining and Sales Enterprise] is eliciting an outcry because of its continued special status, while there are those who have said that INA has its own mini-state budget, although the other public enterprises are not far from that either. All these enterprises have experienced various affairs, and there have also been strikes in them. In this atmosphere and given the unclear state strategy and the imprecise and undefined goals, it has not even been possible for public enterprises to operate any better. The government of Nikica Valentic has also formed an Office for Economics and Restructuring of Public Enterprises, which is responsible for monitoring the economic efficiency of public enterprises and for their restructuring.

Incest With Banks

Minister Zlatko Matesa has also touched on the especially sensitive subject of relations between public enterprises, but also other major, problematic enterprises (e.g., agricultural-food combines, shipbuilding, iron and steel works), and banks. It has been proposed that the "incestuous" relations, in which these enterprises are the banks' biggest debtors, but at the same time their coowners and members of their administrative committees, be resolved through a sort of swap of stock among the state, the banks, and the enterprises, but for now this is only an idea.

The Office for Reconstruction first dealt with INA, perhaps because the head of the office, Milan Ujevic, also works at INA, for which it was proposed that it be a joint-stock company under state ownership, and afterwards models for the railroads were also proposed. What should be most important is the onset of serious restructuring of these enterprises and their at least partial privatization, which is possible in the majority of public enterprises.

Croatian Post and Telephone, the value of which HFP president Penic has estimated at DM6 billion, is a very promising enterprise that operates well, although the price of connections and pulses has dropped while investments have been made in establishing 600,000 new connections. However, that is still a far cry from European standards, especially in the price of connections, but partial privatization of HPT could provide significant resources and thus further improve operations. The same is true of NARODNE NOVINE. Moreover, although the majority have rejected such variants, even HRT [Croatian Radio and Television] could be partially privatized if the political will to do so existed.

Smothered Initiative

However, it is clear that the state will not decide in favor of more substantial moves to privatize this sphere, and even if it did, such moves would be very gradual. Because of this, it is very important to specify and define the relationship between the state and the public enterprises and the manner in which these enterprises will be led. Setting out strategic goals for these enterprises and appointing a management that will execute them with clear authorities and responsibilities would make the government's job appreciably easier; then it would not be an administrator and accountant for public enterprises, but rather a genuine owner who knows what it wants.

In that case, there would also be no problems with sponsorship, because an enterprise would have a marketing budget which, as everywhere, must serve the objective of the best possible business results, for which the management of the enterprise would be responsible to the government. Centralized administration of the kind exhibited by our enterprises, according to studies, leads to poorer business results, which has long since been recognized in the rest of the world. Although the government must keep certain things under control during the implementation phase of the stabilization program, centralization in guiding the economy will certainly be counterproductive, because a big, bureaucratic state apparatus is created that smothers business initiative, and the government increasingly concerns itself with everyday business affairs to the detriment of strategic decisions and especially to the detriment of the creation of legislation and business regulations that will permit economic growth and development.

Gligorov, Albania's Berisha Hold Talks 22 May

LD2205152094 Belgrade TANJUG Domestic Service in Serbo-Croatian 1403 GMT 22 May 94

[Text] Skopje, 22 May (TANJUG)—Kiro Gligorov, president of Macedonia [The Former Yugoslav Republic of Macedonia—FYROM], and Albanian President Sali Berisha met today at the official Albanian residence near the town of Podgradec on Lake Ohrid in southern Macedonia and held talks on bilateral relations and the current situation in the Balkans. According to Macedonian radio, this was an unofficial visit, during which President Gligorov accepted an invitation to visit Albania officially in the near future. The two presidents held talks in private for half an hour and were later joined by their aides.

After the talks, Gligorov and Berisha gave statements describing the talks as positive, which, though unofficial, enabled an exchange of opinions on all questions of interest to both states. Both presidents said that a great deal of mutual understanding was shown during the talks and that they agreed to resume dialogue.

According to the Albanian president, they agreed to establish a Tirana-Skopje air link and gradually to relax the regime of visas and passports. Albania expressed readiness to provide special facilities for Macedonia to store 1.5 million tonnes of fuel and 1 million tonnes of other commodities in Albanian ports. Berisha expressed satisfaction over the adoption of the Macedonian law on the population census adopted last week and praised the government in Skopje for enabling the FLAKA E VELEZEREMIT daily to be published in Macedonia in Albanian. He also expressed support for the increased television and radio broadcasts in Macedonia in the Albanian language and for the opening of the teacher-training college in Skopje which uses Albanian as one of the official languages. Berisha voiced particular satisfaction over the participation of the ethnic Albanian party—the Party for Democratic Prosperity—in the coalition government.

Gligorov stressed the open and friendly atmosphere in today's talks and said that both sides had an obligation to create conditions for ethnic Albanians in Macedonia and ethnic Macedonians in Albania to feel at home. The Macedonian president particularly stressed the importance of future population censuses, which would soon give precise figures on the number of Albanians and Macedonians in both countries.

After the talks the two presidents and their wives briefly visited Ohrid and, according to Macedonian radio, took leave of each other with satisfaction.

Serbia

Prime Minister Announces Prices Stabilizing

LD2305163294 Belgrade TANJUG in English 1546 GMT 23 May 94

[Text] Trstenik, Yugoslavia, May 23 (TANJUG)—Serbian Prime Minister Mirko Marjanovic said on Monday that the implementation of the Yugoslav programme of monetary reconstruction and economic recovery had proved highly successful over the past four months. In a meeting with the leadership of the Prva Petoljetka holding company in the central Serbian town of Trstenik, Marjanovic said that the hard currency reserves stood at 336 million dinars (one dinar trades for one deutsche mark), that budget deficits were no longer covered by primary issue and that economic loans had been substantially increased. Speaking about the results of the programme, Marjanovic said that from January 24 (when the programme was launched) until the first week of May, the prices had been completely stabilized and inflation slashed to zero.

The prices of industrial products dropped by 14.6 percent and average salaries increased from 25 dinars in January to 116 dinars in April, Marjanovic said. Average prices are still high, but this is due to inflation before the programme was launched, he said and added he hoped that the prices would continue to drop, especially as the production was growing.

The economic recovery programme was architected by Dragoslav Avramovic, a world-renowned economic expert and the current governor of the Yugoslav Central Bank.

Cites 'Impressive' Economic Results

AU2305193994 Belgrade RTB Television Network in Serbo-Croatian 1730 GMT 23 May 94

[Interview with Serbian Prime Minister Mirko Marjanovic by Dusko Petrovic in Krusevac on 23 May—recorded]

[Text] [Petrovic] At the end of Prime Minister Marjanovic's tour to the (Rasen) region, we asked him for an exclusive statement for the "Dnevnik" program of Radio Television Serbia. Mr. Prime Minister, it has been exactly four months since the program for the economic recovery of the country was implemented. What do you think of the results?

[Marjanovic] They are impressive. What happened over the last four months? The exchange rate of the dinar has been maintained and stabilized—that is, the dinar is stable. There is hardly any inflation; it has been reduced to zero. Production has increased by almost 14 percent, prices have been reduced, and they are now 0.6 lower in comparison with prices before the implementation of the program, since January. The further upward trend in production has been successful. [sentence as heard] Therefore, these are the basic elements that speak in favor of the fact that the implementation of the program over the first four months has been very successful.

The most important thing is how the future implementation of the program will proceed in the third and fourth quarters. I am an optimist. Considering what I have seen during my visit to the Krusevac basin, I am even more of an optimist.

[Petrovic] What are you impressions after what you have seen and heard from the Krusevac economists?

[Marjanovic] The results that have been achieved over the first four months of the implementation of this program are such that they give us more optimism concerning the future realization of this program. Why? First, because production in general in the Krusevac region is on the increase. Second, because the profit of the companies is also on the rise. Salaries are increasing, prices are stable, and there are no indications that would suggest that prices could go up.

The program that certain companies are applying now is such that companies are finding ways of reprogramming their production because of the sanctions since not all production will work. Products have to have a market, they have to have further solutions. [sentence as heard] The solution is not in mere production while amassing stocks. Seeing these positive tendencies in production in the Krusevac basin, I am really an optimist, since the Krusevac basin is one of the most important segments in the future development of the Serbian economy.

Draskovic, Seselj Demand Bozovic's Dismissal

AU2405084694 Belgrade VECERNJE NOVOSTI in Serbo-Croatian 21 May 94 p 4

[Report by N. Vucinic: "Friends Together Again"]

[Text] The leaders of the Serbian Radical Party [SRS] and the Serbian Renewal Movement [SPO] met yesterday in the SRS headquarters to discuss, as they said, their next move in resisting the repression by the Socialist Party of Serbia [SPS]. Vojislav Seselj and Vuk Draskovic told reporters that a new meeting was called for Monday [23 May] in the SPO headquarters, and that it would almost certainly be attended by the leaders of the Democratic Party [DS] and the Democratic Party of Serbia [DSS], who had been invited too late for yesterday's meeting.

Vuk Draskovic, who arrived at the SRS headquarters with Milan Komnenic, stressed that a purge of the SRS had been under way for several months, and that the two of them had come to tell the SRS leaders that they could count on the full support of the SPO in their defense against the legal and police terror. Draskovic stressed that it was not only the SRS that was in danger but parliamentarianism, and that the unified attitude of the opposition could, as he put it, "discourage the SPS."

Seselj said that he was personally very pleased when he heard about the criminal charges as that showed that the regime was nervous. Commenting on the fact that Seselj would answer to the same charges he faced last June, Draskovic said that the law put the police force on a sacrosanct pedestal, and wondered: What is the police doing in the federal assembly?

Speaking of earlier differences between the two leaders, Draskovic cited Voltaire, and said that the "SPO will always defend the right of the SRS to state their opinion," and that Seselj and he never had any personal differences but only political ones, with the exaggerations that are so typical of the Balkan political scene.

The "definite" demands by the parliamentary parties are the dismissal of Radoman Bozovic and an equal treatment and access to television. It is not out of the question that even the extraparliamentary parties could join this, "except those that have been instrumentalized by the UDBA [State Security Administration]," Seselj said.

The SRS leader expects that DS leader Zoran Djindjic will distance himself from Dragoljub Micunovic, who is "the author of the declaration of the Chamber of Citizens." Milan Komnenic said that he was sorry that he had voted for the expulsion of deputy Drasko Markovic from the session, saying that he only did so out of inertia, because he was misinformed about the nature of the vote....

Opposition Calls For New Privatization Law

LD2405103494 Belgrade TANJUG in English 1013 GMT 24 May 94

[Text] Belgrade, May 24 (TANJUG)—The Serbian parliament, acting on a motion by the Democratic Party of serbia (DS), will soon examine abuses in the privatization process. DS leader Zoran Djindjic has submitted to parliament an amendment to the law on the conditions and procedure of transforming public property, said the DS press office on Tuesday. The amendment envisages a revaluation of all deposits made during 1993, when annual hyperinflation soared to a record 116 trillion per cent.

The DS believes that the abuses in the privatization process had taken place during the hyperinflation, because public property was sold at a price which was as many as hundred times less than its real value. The DS moved that an agency in charge of evaluating and revaluating the public capital examine what was the price of the shares enterprises had sold to their employees. It also proposed that experts determine the value of the public capital as against the German mark according to the market rate of exchange on the payment date.

The privatization process was made official under the federal law on public capital, adopted in 1990, prior to the disintegration of the former Yugoslavia. Serbia and Montenegro, who constituted the Federal Republic of Yugoslavia in 1992, have been enforcing their respective laws on public property transformation since 1991.

Djukic Says Private Enterprise Best for Economy

94BA0269A Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 25 Apr 94 pp 8-9

[Speech by Serbian Minister for Privatization Radoje Djukic in Cacak on 25 April 1994: "I Am Abolishing 'Small Business'"]

[Text] Not one government so far has really understood the real potential and strength of the private sector, fortunately never extinguished, even in the "most communist" times. The germ of enterprise has been preserved. With the replacement of the political system and the change of climate and attitude in Serbia, private initiative has gained momentum.

This government and its prime minister realized, however, the significance and potential of private enterprise in Serbia, and formed the Ministry of Private Enterprise. The ministry's goal and task is, in a completely new ministry with new people and different views and ideas, to promote private business and to carry out the necessary institutional changes for that purpose. Having that kind of potential and using it poorly is inappropriate for a serious state, and we claim to be a serious state and to attribute significance to private enterprise, in view of the trend toward the transformation of social property into private property. The future of Serbia is thus in private enterprise. I do not believe that we will use that term "private" and "social" any longer, because the "most social" person is the one who engages in socially useful work either by producing or by providing necessary services to citizens.

Encouraging Production

There are now about 186,000 private enterprises and 210,000 independent craft, commercial, and other shops functioning in the Republic of Serbia. Unfortunately for us, fewer than 10 percent of them are involved in production: 16,000 enterprises in industry and mining, 3,800 in construction, 3,000 in transportation, and 95,600 in commerce. There is a disproportionate ratio between enterprises engaged in production and enterprises engaged in commerce, because commerce is in effect the superstructure of the production base. There are 2,700 private enterprises operating in the hotel industry, 4,000 in crafts and services, and 14,000 in the area of financial and other services.

The budget of the Republic of Serbia has therefore provided for very serious funds to encourage production and development, which will be invested through commercial banks in those programs and given to those people who will put them to use quickly and repay them.

Changes in the Tax System

This government inherited a tax system that was never based on valid parameters, and so in 1993, during the period of hyperinflation, it completely collapsed. The previous government, rushing to solve the budget problem, made very, very big mistakes in determining the amounts of (?FIRMARINE) and tax obligations for entrepreneurs without paying attention to their economic strength, or performing the necessary selection, since not everyone has the same strength, size, and ability to pay. That is even against the constitution.

Admittedly, we are applying the laws that are in force, but we want to replace them with better ones. Very soon we will send the Serbian Assembly a bill that would regulate tax obligations differently and selectively.

Specifically, we will eliminate the tax on financial transactions, but a sales tax that is enormously high will remain—27 percent, while for a few goods the tax rate has been reduced from 44 to 27 percent, but for most it has been increased by 7 percent. That is the reason for the boom of the black market in which those who do not pay customs duties, sales tax, contributions to employees, etc., work. The state gets nothing out of that.

My team, however, will prove mathematically that low tax rates will contribute higher budget revenue, facilitate business, and increase employees' wages—and it will be good for everyone. We will do everything analytically with the goal of ending this year with the kind of legal and derivative acts that will guarantee certainty to everyone to intends to engage in business next year. In other words, people will no longer live from decree to decree, and the laws will be logical—but Serbia's economic regulations consist of 135 legal acts.

I would like to see a lawyer who could cope with that, but we want to create an atmosphere here for the normal, average citizen of Serbia.

It will be a long-term job, but private businessmen know how difficult, arduous, and slow it is to make progress.

Don't suspect that your minister will have weak nerves or short breath. But remember—that will give us the right to establish a strong control function for the state.

Distribution of the "Poorly Distributed"

Taxes are not the only problem, however. In fact, a bigger problem is the enormous disparity between the number of private enterprises and the number of workers employed in them. The official data do not give a correct picture. It is true that there are more than 300,000 people in Serbia who are working "illegally" in the private sector. That is why our goal is not only to employ these people legally, but also to correct the structure of employees and substantially increase their number. We will try to create the kind of environment in which economic logic will lead the unemployed to the private sector to seek a livelihood there themselves. We will carry out this transition painlessly, by adopting appropriate regulations, whose implementation will not cause upheavals. I have always said that there is not a surplus of employees in this country, but rather only poorly distributed ones.

In addition to the absolutely abnormal tax system, the enormous contributions that are withheld from employees' wages also encourage "illegal" work. More than 95 percent of both socialized and private enterprises and shops do not show salaries realistically through the payroll. Because of the high contributions, wages are drastically reduced. Everyone loses.

Our goal is to reduce contributions so much that no one will have a reason to employ workers "illegally," and we will not be very tolerant, because there will no longer be a reason for anyone to complain that we have put too much of a burden on him.

Returning Jurisdiction to the Municipalities

I know quite well how much the municipalities have been crippled by the redistribution of jurisdiction at the republic level. One should expect changes along these lines soon, because it is unnatural that a municipality does not have insight into and influence over the development of the economy in its surroundings and on its territory. In fact, it is natural for a municipality to be very interested and to be very concerned and involved with strengthening the local economy for the purpose of raising the standard of living and wages, and developing the infrastructure, education, and everything else that constitutes the social superstructure for a better and higher-quality life.

Furthermore, I have taken the initiative for us to bring educated young people from all regions, and then from every municipality, to be trained in the Serbian Government, and afterwards sent back to rural areas to apply what has been learned and agreed upon.

Construction of Small Shops

The construction of small shops is our "festering wound." City planning conditions and infrastructure are very bad, and the corresponding laws and derivative acts resemble an impassable forest that has not been cleared since 1967-1971, in which not even a highly educated lawyer can find his way, much less an average businessman who has to conduct his business. We will very soon formulate a draft law that will solve this problem in every municipality in Serbia, so that every municipality would build a small industrial zone, and create opportunities for the rapid construction of production facilities. My estimates indicate that in every municipality at least 10 people would immediately start construction if given the chance, which yields the figure of 2,000 small factories for the 200 municipalities in Serbia. I don't have to explain how much that means for the construction materials industry, brick, iron, insulation material, construction workers....

We are also convinced that every owner of his own small shop will seek to develop business and become a serious partner for the large enterprises in the socialized sector. The new Law on the Transformation of Social Capital, which implies the complete independence of socially owned economic entities to choose the form of ownership transformation, is also contributing to a good atmosphere.

Unfortunately, it is a characteristic of our mentality that honest people are accused of dishonest intentions, the consequence of which will be that entrepreneurs who decide to build facilities with a couple of hundred "square meters" will continue to make progress faster than those who wait for the implementation of this law. I know quite well that this is an enslavement of capital, but years will pass before we solve the problem through the laws and decrees that we intend to adopt soon in order to stimulate this process. Admittedly, there are already government decrees on the priority use of unemployed production capacities. It is fortunate that the large socialized enterprises, on their own initiative, are visiting the smaller private firms and seeking a suitable form of cooperation. Nevertheless, I think that this form of communication will be accelerated soon.

Bringing the Socialized and Private Sectors Closer Together

Along those lines, I spoke recently with the director of the Belgrade Fair about the idea of having commercial banks organize successful private entrepreneurs with whom they are already cooperating on the fairgrounds, as part of the traditional Entrepreneurs' Fair. As the sponsor of this fair, the government has already adopted a decision on a symbolic price for renting space in the hall, which the Fair's administration has accepted. The purpose is for people from public enterprises to see in one place everything that can and must be bought in Serbia from producers in the private sector, who, during the blockade, have even succeeded in producing incredible things. The task of us in the government is to "link" the private and socialized sectors, to bring them closer together and refer them to each other.

It has also been agreed with Belgrade TV that every day, in prime time, it will promote this campaign, so that people throughout Serbia will become acquainted with the enormous capabilities of our private sector, including that of Cacak.

Imitation of Privatization

Public enterprises are one more "festering wound" for the Republic of Serbia. Their amorphous nature represents a big problem for the Serbian economy, but their ownership transformation, which has been carried out to date through the distribution of worthless internal papers, constitutes nothing more than an imitation of real privatization. That is why it will be subject to audit, and a new law on ownership transformation, which will sanction those who have exploited this process in the most primitive way to steal social property. Those who have done this job correctly do not have any reason to fear an audit. Furthermore, the budget provides for expenditures to "extract" welfare policy from socialized firms, which should make it easier for them to begin a different policy toward surplus employees.

[Box, p 8]

I am abolishing the term "small business," because this state lives on private entrepreneurs. It no longer lives on the Smederevo Steelworks, or EI [Electronics Plant] Nis, but rather on us, private businessmen.

If 68 percent of employees in the European Union work in companies with at most 10 workers, why should we be ashamed of small numbers? It seems that we like everything that is big, even if it is inefficient.

With respect to efficiency, in just the Steelworks, for example, 90 percent of its capacity is idle, because of a shortage of spare parts. I maintain that our private businessmen throughout Serbia can successfully produce 95 percent of the missing amounts. Our public enterprises, however, seem to have people who will not give 100,000 German marks, for instance, to our people, but prefer to give an amount several times higher to import the same product from abroad, or to watch trains standing motionless.

[Box, p 8]

Monetary Political Institutions

I do not consider the banks in which budgetary funds on which interest is not paid are deposited to be real banks. I am saying publicly that they are monetary political institutions.

[Box, p 8]

At Vranje's Side

I am extremely delighted by the fact that in the Cacak municipality, with 70,000 residents, as many as 43,000 people are employed. That is an extremely high employment rate, which only Vranje also has in Serbia.

Details, Effects of 1994 Budget Examined

94BA0269B Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 25 Apr 94 p 12

[Article by Verica Dukanac: "Fiscal Tricks"]

[Text] Two-thirds of the budget expenditures will be financed by revenues from the tax on personal incomes and sales and excise taxes; to what extent is the impression of this year's budget savings by the new government deceptive? What did the deputies say about it?

In spite of the Assembly discussion for several days about the draft law on Serbia's budget, this year's budget was also adopted without much tension. The government's starting point in setting the volume of public

spending, which was publicly explained by President Mirko Marjanovic, as well as his finance minister, Mr. Dusan Vlatkovic, is that this sort of budget projection actually makes a concrete contribution to implementing the Program for Reconstruction of the Monetary System. The argument is as follows: Since the consolidated balance-sheet for public spending for this year in Yugoslavia (i.e., the classic budget plus social insurance funds) provided for Serbia's right to 6,664 million dinars, or 52 percent of the social product, the government of Serbia, "acting frugally and rationally," established the volume of public spending at 49.71 billion dinars (or 30 percent less than the permitted limit), which reduced the share of its total public spending, according to that calculation, to 42 percent of the social product.

Government's Calculation

In fact, the total public revenues are projected to be 41.91 billion dinars, and public expenditures to be 49.71 billion, with the imbalance in its fiscal books, 780 million, to be covered by funds from the National Bank of Yugoslavia's reserves and by issuing securities. The basic sources for financing the republic budget (of 28.60 billion new dinars) are the tax on personal incomes and the sales tax and excises. The revenues from the tax on personal incomes constitute 33.3 percent of the anticipated basic revenues (of a total of 22.37 billion dinars). Actually, they were proceeding from an estimate that the average wage this year would amount go 63.10 dinars and the guaranteed wage, by which the tax base is reduced, 20 dinars. This also took into account a reduction in the tax rate on wages from the present 30 to 25 percent.

The revenues from the sales tax on products and services and excise taxes are projected at 37.8 percent of total revenues. Those sources, along with the republic's borrowing, 21.8 percent, constitute 90.9 percent of the basic revenues, so that all the others represent a quite minor share in the structure of revenues. Thus, for instance, revenues from corporate profit taxes are expected to be only 20 million dinars, or 0.7 percent of the total. Somewhat more revenues are expected from the tax on independent activities (36.72 million, or 1.3 percent), while 16.50 million dinars, or 0.6 percent of total budget revenues, is expected from the property tax.

According to the balance-sheet for the republic's budgetary expenditures, 16 percent of the total of 28.60 billion dinars is planned to be for the wages of employees of state bodies, 18.2 percent for encouraging development (1.9 percent or 55 million for the fund for the lowest wages, and 1.8 percent or 55 million dinars in funds for surplus employees), and 14.5 percent or 414.73 million dinars for other incentives in the economy. The funds for exercising republic rights established by law constitute 42.6 percent of the total budgetary expenditures, primarily for education, science and technology, culture and physical education (28.5 percent), as well as social protection (3 percent), social care for children (7.9 percent), and protection for disabled veterans (1.5 percent).

As many as 80 amendments were submitted in the Assembly for this draft budget, of which the government submitted four and Assembly committees submitted three, while the remaining 73 were submitted by 25 deputies. The amendments mostly demanded a different distribution of the money, but also additional funds. The government complied by approving additional funds for the work of the Vojvodina Autonomous Province, 3 million, and then 5 million each for the highway industry and the railroad, from the budget reserves.

Comments and Criticisms

If we ignore the favorable attitude of deputies from the Socialist Party, which was expressed on this occasion as well through truly numerous discussions (but not them alone, because a majority was needed to adopt the budget), it remains for us to note the points in the discussion that had quite reasonable suspicions and comments about this proposal.

The first group of those comments should include, above all, those pointing out the deceptive impression of frugality, which can be reduced to saying that this had to do with a fiscal trick and deception, as Mr. Milan Bozic said. It was explained in most detail by Mrs. Jorgovanka Tabakovic: "It is claimed here that the total volume of public expenditures is 49 billion, about 30 percent less than the amount projected in the consolidated federal balance-sheet. These so-called savings, however, are based on the share of the volume of public expenditures in the social product, which is obviously overestimated." She said, "You could have estimated the social product to be 20 billion, and then the share of the volume of public expenditures would have been only 25 percent. And that way no one has been responsible for the plan and the estimate." At the same time, she challenged the position of the government that borrowing from the National Bank of Yugoslavia to cover the deficit would not be inflationary, claiming that it really could have been avoided if the republic had ensured additional real revenues from which it would repay the loan. The law itself, however, already says that the loans will be used under the conditions established by the federal law, which, however, specifies that loans to cover budget deficits will only start to be repaid in December 1998. The same federal law also reschedules the obligations coming due this year on that basis, namely the ones from 1987 and 1988.

If the foundation of Avramovic's program is a strong dinar and a revival of production, then this proposed budget does not guarantee the achievement of those goals, through Mrs. Ljiljana Lucic, primarily because the main source of revenue is the tax on personal incomes, and so it is quite logical to expect that the government will not be a serious obstacle to their growth, which does not always have to be covered by production and earned income—or else that means that the government, in fact, does not believe in a revival of economic activity,

because the planned revenue from profits is minimal. In fact, she sees the budget as a collection of requests submitted by various ministries, and the government only rationalized them a little, since one cannot see from the budget what its program is and what its priorities are. Dr. Vladan Batic called attention to the fact that the drafting of this budget, except for balancing the budget, did not follow certain basic principles, such as the principle of publicity, budget accuracy, or the principle of budget integrity. He requested that the government not come back in a month or two with a request to rebalance the budget, especially if there was no inflation. He, and many others, pointed out the amount of the funds planned for the police, which were several times higher than the amount planned for the judicial system. Zivorad Jeremic called attention to another inconsistency. Specifically, Avramovic's program uses the figure of close to a million people who, as a technological surplus, should be the state's concern, but the budget mentions the figure of 210,000, and specifies the amount of only 50 million dinars for them.

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